



MARKET CONDUCT EXAMINATION REPORT

Dated August 6, 2012

**COVERING THE TIME PERIOD OF JANUARY 1, 2009 THROUGH
DECEMBER 31, 2009**

UNITED STATES FIRE INSURANCE COMPANY

**1209 Orange Street
Wilmington, DE 19801**

NAIC Company Code 21113

NAIC Group Code 158



CONDUCTED BY:

COLORADO DIVISION OF INSURANCE

**UNITED STATES FIRE INSURANCE COMPANY
305 Madison Avenue
Morristown, NJ 07960-6117**

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Examination Performed by:

Division of Insurance Market Conduct Examiner

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And

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TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
I. COMPANY PROFILE	4
II. PURPOSE AND SCOPE OF EXAMINATION.....	5
III. EXAMINERS' METHODOLOGY	6
IV. EXAMINATION REPORT SUMMARY	10
V. FACTUAL FINDINGS.....	13
A. Company Operations and Management.....	14
D. Agents	21
E. Contract Forms	38
F. Rates	51
G. New Business.....	57
VI. SUMMARY OF ISSUES AND RECOMMENDATIONS	97
VII. EXAMINATION REPORT SUBMISSION	99

COMPANY PROFILE

The following is taken directly from written documentation provided by United States Fire Insurance Company and has not been independently verified by the Division of Insurance:

United States Fire Insurance Company (“US Fire”) is domiciled in Delaware and is a member of the Crum & Forster Holding Corporation group of insurance companies. US Fire is licensed in all 50 states and Puerto Rico and the US Virgin Islands. US Fire writes numerous lines of business including workers’ compensation, general liability, property, commercial automobile, commercial multi-peril, fidelity & surety, personal automobile and homeowners. In 2009, approximately 44% of US Fire’s gross written premiums arose from the offering of general liability including umbrella, workers’ compensation, commercial automobile and property policies to middle market commercial enterprises through US Fire’s regional branch network. In Colorado specifically, United States Fire Insurance Company was licensed on March 1, 1907. US Fire added bail bonds as a line of business on May 9, 2006, and began writing business within the year.

Premium and Market Share in Colorado as of December 31, 2009*:

Total Direct Written Bail Bond Premium:	\$2,592,000
• Agent Share:	\$2,318,000
• Company Share:	\$274,000
Market Share:	9.70%

*As shown in the 2009 Edition of the Colorado Insurance Industry Statistical Report

A.M. Best, as of March 8, 2011, has currently assigned a Financial Strength Rating of “A” (Excellent), with a stable outlook, to US Fire.

PURPOSE AND SCOPE

A state market conduct examiner with the Colorado Division of Insurance (“Division”), who was assisted by independent contract examiners, reviewed certain business practices of United States Fire Insurance Company (“US Fire” or “Company”). This market conduct examination (“MCE”) was conducted in accordance with Colorado insurance laws, §§ 10-1-201, 10-1-203, 10-1-204, 10-1-205, 10-3-1106, 12-7-108(6), and 12-7-113, C.R.S., which empower the Commissioner of Insurance (“Commissioner”) to examine any entity or bail agent engaged in the insurance business in Colorado. All work product developed in producing this report is the sole property of the Division.

The purpose of the examination was to determine US Fire’s compliance with Colorado insurance laws related to bail bond business in Colorado. Examination information contained in this report should serve only these purposes, except as provided by law pursuant to §§ 10-1-204 and 10-1-205, C.R.S. The findings and conclusions, including the Final Agency Order, arising out of this examination shall be public record.

Examiners conducted the examination in accordance with procedures developed by the Division, based on model procedures developed by the National Association of Insurance Commissioners (“NAIC”). They relied primarily on records and materials maintained and/or supplied by US Fire and its agents. The MCE covered the period from January 1, 2009, through December 31, 2009.

The examination included review of the following:

- Company Operations and Management
- Advertising, Marketing and Sales
- Complaint Handling
- Agents
- Contract Forms
- Rates
- New Business Underwriting: Applications, Cancellations and Declinations
- Claim Handling, to include Bail Bond Forfeiture Judgments and Return of Collateral

The examination report is a report written by exception. References to additional practices, procedures, or files that did not contain improprieties were omitted. Based on review of these areas, comment forms were prepared for US Fire identifying any concerns and/or discrepancies. The comment forms contained a section that permitted US Fire to submit a written response to the examiners’ comments.

For the period under examination, the examiners included statutory citations and regulatory references related to bail bond insurance laws as they pertained to insurance companies and bail bonding agents. Examination findings may result in administrative action by the Division. Examiners may not have discovered all unacceptable or non-complying practices of US Fire. Failure to identify specific Company practices does not constitute acceptance of such practices. This report should not be construed to either endorse or discredit any insurance company or insurance company product.

METHODOLOGY

The examiners reviewed US Fire’s business practices to determine compliance with Colorado insurance law including, but not limited to, the following:

Statute or Regulation	Subject
Section 10-1-128, C.R.S.	Fraudulent insurance acts - immunity for furnishing information relating to suspected insurance fraud - legislative declaration.
Section 10-2-407, C.R.S.	License – definitions of lines of insurance – authority.
Section 10-2-415.5, C.R.S.	Appointment of insurance producer bail bonding agent – continuation – renewal – exceptions.
Section 10-2-415.7, C.R.S.	Termination of insurance producer bail bonding agent – notice – penalty.
Section 10-2-416, C.R.S.	Notification to the commissioner of termination.
Section 10-2-701, C.R.S.	Assumed names – registration – rules.
Section 10-2-702, C.R.S.	Commissions.
Section 10-2-704, C.R.S.	Fiduciary Responsibilities.
Section 10-3-209, C.R.S.	Tax on premium collected – exemptions – penalties.
Section 10-3-1104, C.R.S.	Unfair methods of competition and unfair or deceptive acts or practices.
Section 12-7-101, C.R.S.	Definitions.
Section 12-7-102, C.R.S.	License required – qualifications – enforcement.
Section 12-7-102.5, C.R.S.	Prelicensure education requirements – exemptions.
Section 12-7-103, C.R.S.	License requirements – application – qualification bond – forfeiture.
Section 12-7-104.5, C.R.S.	Advisory committee – repeal.
Section 12-7-105, C.R.S.	Reports and records required – bonding agents – division.
Section 12-7-105.5, C.R.S.	Bail recovery services – requirements.
Section 12-7-106, C.R.S.	Denial, suspension, revocation, and refusal to renew license – hearing – alternative civil penalty.
Section 12-7-107, C.R.S.	Notice to surety.
Section 12-7-108, C.R.S.	Bonding agreement – place of business – records – payment schedule – disclosure statements.
Section 12-7-109, C.R.S.	Prohibited activities – penalties.
Section 12-7-110.5, C.R.S.	Rate filing – rules.
Section 12-7-111, C.R.S.	Tax on fees charged.
Section 12-7-112, C.R.S.	Repeal – review of functions.
Section 12-7-113, C.R.S.	Insurance laws – applicability.
Section 16-4-104, C.R.S.	Bail bond - alternatives.
Insurance Regulation 1-1-7	Market Conduct Record Retention
Insurance Regulation 1-1-8	Penalties and Timelines Concerning Division Inquiries and Document Requests
Insurance Regulation 1-2-1	Concerning Agent Fiduciary Responsibility
Insurance Regulation 1-2-10	Concerning The Regulation of Insurance Producers By The Colorado Division of Insurance: Colorado Producer Licensing Model Act
Insurance Regulation 1-2-11	Standards for Surety Bail Bonding Agent and Professional Cash Bail Agent Prelicensure Education Requirements
Insurance Regulation 1-2-14	Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register
Insurance Regulation 1-2-15	Bail Bond Premium Rate Filing Requirements
Insurance Regulation 1-2-16	Bail Bonding Agent Appointment and Termination Requirements for Surety Companies

Sampling Methodology

Where sampling was necessary, the examiners reviewed files randomly selected from the larger population of files. Otherwise, the examiners reviewed the entire population of files. Per statute, the examiners used the most recent version (2010) of the NAIC Handbook available at the commencement of the examination.

These random samples consisted of six (6) unique populations, one (1) sample for each of the top five (5) agents based on the penal value of bonds posted, and one (1) combined sample for all other agents. An additional five (5) random agent files were selected at each agent's office visited.

An error tolerance level of seven percent (7%) for claims or ten percent (10%) for other areas was established per the Handbook to determine reportable exceptions. In some instances, the issue being reviewed only applied to a small subset of a sample. In these instances, the Company was afforded the opportunity to agree that the initial sample was representative of the overall population, or to request that an additional/larger sample be selected. In each instance, the Company indicated that the results of the initial sample were representative of the overall population, and an additional sample was not necessary.

An error tolerance of plus or minus ten dollars (\$10.00) was allowed in most cases where monetary values were involved. However, in cases where monetary values were generated by computer or other systemic methodology, a zero dollar (\$0) tolerance was applied to identify possible system errors.

Audits and Examinations

US Fire has not been the subject of a financial or market conduct examination by the Division prior to this examination.

Company Operations and Management

The examiners reviewed Company management and administrative controls, the Certificate of Authority, record retention, underwriting guidelines, and timely cooperation with the examination process. Also reviewed by the examiners were US Fire's disaster recovery plan and its anti-fraud plan's implementation and associated procedures.

Advertising, Marketing and Sales

US Fire was asked to describe the internal review process used to ensure all advertising and sales materials comply with Colorado insurance law.

The examiners reviewed US Fire's advertising procedures. US Fire did not produce any consumer advertising for bail bond business. The examiners reviewed bail bonding agent's websites and did not identify any instances where the agent included US Fire's name.

Complaint Handling

US Fire was asked to make available a copy of its complaint handling guidelines and/or procedures along with a listing of all complaints filed with US Fire during the examination period. This listing/register was to include complaints received from the Division as well as complaints made directly to US Fire on behalf of consumers regarding bail bond issues regardless of whether or not it was reported to the Division.

Agents

US Fire provided a listing of fifty-nine (59) bail bonding agents that were active during the examination period. The examiners selected all fifty-nine (59) agents for review of contracting, licensing and appointment requirements.

Out of the population of fifty-nine (59) active bail bonding agents, the examiners randomly selected 685 files out of a total population of 6,203 files, which included records from thirty-three (33) agents for review. Bail bonding agents with files in the sample of 685 files were required to provide access to the files for review, and were interviewed by the examiners during agent office visits in reference to their practices related to fiduciary treatment of funds. One bail bonding agent, who had one (1) file in the random sample and which was not available for review, had purportedly left the United States and was residing abroad. Therefore, the one (1) file selected for this agent was replaced by a supplemental file which belonged to one of the remaining thirty-two (32) bail bonding agents.

Contract Forms

US Fire provided specimen copies of forms made available for use by its bail bonding agents in Colorado. The examiners reviewed each of the provided forms as listed below:

<u>FORM NAME</u>	<u>FORM NUMBER</u>
Bail Surety Disclosure Statement	S-0011US
Bail Bond Application and Contract	S-0020US
Power of Attorney (Bail Bond)	S-0023US A
Bail Bond Premium Receipt	S-0023US B
Collateral Receipt	S-0023US C
Bail Bond Application and Contract	S-0026US
Short Form Deed of Trust	S-0036US
Unpaid Premium Agreement	S-0059US
Bail Bond Application and Contract	S-0063US
Receipt and Statement Balance of Charges	S-0067US
Receipt for Collateral Deposited	S-0070US
Disclosure Statement	S-103CUS

Rates

US Fire provided a copy of its most recent rate filing which was filed effective July 1, 2006. The examiners reviewed actual rates being charged to Colorado residents during the file review process set forth in the New Business section.

New Business

The examiners selected a random sample of 685 files from a total population of 6,203 powers-of-attorney executed by US Fire's bail bonding agents to guarantee bail bonds posted during 2009. US Fire, through its agents, was unable to produce ten (10) complete files from the original samples. The examiners removed one (1) additional file from the combined sample as the file documentation evidenced that the bond was produced during 2008 and that the date provided in US Fire population data was incorrect. The eleven (11) files which were either missing or removed were replaced with supplemental complete files from the random sample populations to which the eleven (11) files belonged. The total of 685 files

included the five (5) additional random sample files that were selected during the onsite visit for each agent.

Claim Handling

US Fire provided a list of fifty-seven (57) bail bond forfeitures paid during the examination period. The examiners note that the bail bond forfeitures were paid either by the bail bonding agent, the supervising bail bonding agent, or by US Fire using funds in the bail bond agent's build-up fund account. Review of the timely return of collateral as required by Colorado law was also conducted as part of the file sample review.

EXAMINATION REPORT SUMMARY

The examination resulted in a total of twenty-seven (27) findings in which US Fire was not in compliance with Colorado statutes and regulations. The following is a summary of the examiners' findings.

Company Operations and Management: The examiners identified one (1) area of concern in their review of US Fire's Company Operations and Management:

Issue A1: Failure, in some instances, to maintain records required for market conduct purposes.

Advertising, Marketing and Sales: In the area of Advertising, Marketing and Sales, no compliance issues were identified that met the reporting threshold to be included in this report.

Complaint Handling: In the area of Complaint Handling, no compliance issues were identified that met the reporting threshold to be included in this report.

Agents: The examiners identified six (6) areas of concern in their review of the licensing and appointment, commission schedule and contracting of US Fire's agents.

Issue D1: Failure, in some instances, to register with the Commissioner the use of any assumed, trade or fictitious name prior to using the name.

Issue D2: Failure, in some instances, for the bail bonding agent to maintain possession of files.

Issue D3: Failure, in some instances, to record the bond or to accurately record the date the bond was written in the daily bond register.

Issue D4: Failure, in some instances, to record the collateral receipt number in the daily bond register.

Issue D5: Failure, in some instances, to record the premium receipt number in the daily bond register.

Issue D6: Failure of the Company's agents, in some instances, to fulfill fiduciary responsibilities by commingling funds.

Contract Forms: The examiners identified three (3) areas of concern during the review of US Fire's contract forms.

Issue E1: Failure of the Company's collateral receipts to include all required information.

Issue E2: Failure of the Company's premium receipts to include all required information.

Issue E3: Failure of the Company's bail bond applications and contracts to include all required information.

Rates: The examiners identified two (2) areas of concern during the review of Rates:

Issue F1: Failure to establish underwriting criteria to support the premium charged and to apply such criteria uniformly across all underwritten risk.

Issue F2: Failure to file a rate that complies with Colorado insurance law.

New Business: The examiners identified fifteen (15) areas of concern during the review of New Business:

Issue G1: Failure, in some instances, to include all required information on the executed indemnity agreements.

Issue G2: Failure, in some instances, to include all required information on the collateral receipts.

Issue G3: Failure, in some instances, to report collateral to surety within twenty (20) days of taking collateral.

Issue G4: Failure, in some instances, to return collateral within ten (10) working days of receipt of notice of discharge of the bond.

Issue G5: Failure, in some instances, to include disclosure of a lien against real property when a deed of trust was taken as collateral.

Issue G6: In some instances, issuing more than one receipt for each item of collateral received for a particular bond.

Issue G7: Failure, in some instances, to include all required information on the premium receipts.

Issue G8: Failure, in some instances, to include the purpose for fees charged and included on the premium receipts.

Issue G9: In some instances, issuing more than one receipt for each premium payment received for a particular bond.

Issue G10: Failure, in some instances, to include all required information on the premium payment plans.

Issue G11: Failure, in some instances, to submit premium collected by bail bonding agents to US Fire in a timely manner.

Issue G12: Failure, in some instances, to include all required information on the disclosure statement.

Issue G13: Failure, in some instances, to include the signature of the bail bonding agent on promissory notes.

Issue G14: Failure, in some instances, to notify the defendant or third-party indemnitor that the promissory notes received had been satisfied.

Issue G15: Failure, in some instances, to require the bail bond agent to sign the bond revocation forms.

Claims Handling: In the area of Claims Handling, no compliance issues were identified that met the reporting threshold to be included in this report.

A copy of the MCE Report, if adopted pursuant to § 10-1-205(3)(a), C.R.S., can be obtained upon request from the Division.

Results of previous market conduct examinations (if any) are available on the Division's website at www.dora.state.co.us/insurance or by contacting the Division.

UNITED STATES FIRE INSURANCE COMPANY

FACTUAL FINDINGS

COMPANY OPERATIONS AND MANAGEMENT

Issue A1: Failure, in some instances, to maintain records required for market conduct purposes.
--

Section 12-7-108 C.R.S., Bonding agreement - place of business - records - payment schedule - disclosure statements, states in part:

...

- (4) *Each bail bonding agent who accepts money or any other consideration for a bond or undertaking shall, for each payment received, give to each indemnitor a prenumbered, signed receipt as evidence of payment. The prenumbered, signed receipt shall state the date, the name of the defendant, a description of the consideration or amount of money received and the purpose for which it was received, the number of any applicable power-of-attorney form attached to the bond, the penal sum of the bond, the name of the indemnitor, and the terms under which the money or other consideration shall be released. Each bail bonding agent shall retain a duplicate copy of each receipt issued as part of the agent's records and shall account for all of the prenumbered receipts whether they were issued to an indemnitor or destroyed or otherwise not used by the agent.*
- (5) *The bail bonding agent shall keep at the place of his or her business or, if using an agent for service of process required pursuant to subsection (2) of this section, shall make available at the business of the agent for service of process all records pertaining to transactions made under the agent's license and shall keep all the records as to any particular transaction available and open to inspection by the commissioner or the commissioner's authorized representative during normal business hours for the three years immediately after the date of release of the bond and return of the collateral, if applicable, or proof of notice to the defendant or third-party indemnitor that the terms of any promissory note have been satisfied. Such records include, without limitation:*
 - (a) *Records of all bail bonds the bail bonding agent executes or countersigns;*
 - (b) *Copies of any receipts issued to the indemnitor who pays the money for the premium and the collateral agreement, signed by a licensed bail bonding agent;*
 - (c) *An executed agreement, signed by the indemnitor and a licensed bail bonding agent, setting forth the amount of bail set in the case, the name of the defendant released on the bond, the court case number, if available, and the court in which the bond is executed, the premium charged, the amount and type of collateral held by the bail bonding agent, and the conditions under which the collateral will be returned;*
 - (d) *Evidence that the indemnitor has received copies of signed and dated disclosure forms as required by subsection (9) of this section; and*
 - (e) *Any additional information the commissioner may reasonably require by rule. [Emphases added.]*

Colorado Insurance Regulation 1-1-7, Market Conduct Record Retention, promulgated under the authority of § 10-1-109(1), C.R.S., states in part:

...

Section 4. Records Required For Market Conduct Purposes

- A. *Every entity subject to the Market Conduct process shall maintain its books, records, documents and other business records in a manner so that the following practices of the entity subject to the Market Conduct process may be readily ascertained during market conduct examinations, including but limited to, company operations and management, policyholder services, claim's practices, rating underwriting, marketing, complaint/grievance handling, producer licensing records, and additionally for health insurers/carriers or related entities: network adequacy, utilization review, quality, assessment and improvement, and provider credentialing. Records for this regulation regarding market conduct purposes shall be maintained for the current calendar year plus two prior calendar years. [Emphases added.]*

Colorado Insurance Regulation 1-2-14 (Effective 12/1/04), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- D. "Disclosure statement" means the form describing how collateral may be returned, how collateral may be used or forfeited and the physical address to which a copy of the court order releasing the bond shall be delivered. The Disclosure Statement must be in the form attached in Appendix C.
- E. "Executed agreement" or "indemnity agreement" means the agreement whereby the bail bonding agent agrees to post bond for a defendant. Such *agreement shall have* the name, address, phone number and license number of the bail bonding agent preprinted or stamped on the form and must contain the following information: amount of bail set in the case, the name of the defendant to be released on the bond, the court case number, the court in which the bond is executed, the premium charged and the amount and type of collateral held by the bail bonding agent and *the conditions under which the collateral will be returned.* [Emphasis added.]
- F. "Permanent office records" *means records of all bail bonds the bail bonding agent executes or countersigns, executed copies of the Disclosure Statement, executed agreement/indemnity agreement and prenumbered receipt for each bond undertaking, the Daily Bond Register and any other records pertaining to transactions made under the bail bonding agent's license.*

- G. “*Prenumbered receipt*” means a preprinted or stamped, sequentially numbered receipt, *containing the following information*: date the money or other consideration is received by the bail bonding agent (including any premium paid or collateral received), name of the defendant, *a description of the consideration or amount of money received*, the purpose for which the consideration or money was received, the number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available), the penal sum of the bond, the name of the indemnitor, and the terms under which the money or other consideration shall be released.

Section 5. Rules

...

B. PRENUMBERED RECEIPTS

Each bail bonding agent shall use preprinted or stamped, sequentially numbered receipts whenever money or any other consideration for a bond or undertaking is received by the bail bonding agent. The number of each prenumbered receipt must be entered in the Daily Bond Register in sequential order. Each prenumbered, sequentially numbered receipt shall contain the information listed in the definition above. The original prenumbered receipt must be signed and dated by a bail bonding agent and given to the defendant or third party indemnitor and a duplicate copy retained in the bail bonding agent’s permanent office records. Bail bonding agents shall account for all of the prenumbered receipts in the Daily Bond Register, whether they were issued, destroyed or otherwise not used by the bail bonding agent.

C. EXECUTED AGREEMENT

Each original executed agreement/indemnity agreement shall have the name, address, phone number and license number of the bail bonding agent preprinted or stamped on the form. *The original agreement must be maintained in the agent’s permanent office records* and a duplicate copy must be provided to the defendant or third party indemnitor. The executed agreement must be signed and dated by the bail bonding agent and the defendant or third party indemnitor.

D. DISCLOSURE STATEMENT

The original *Disclosure Statement*, in the format contained in Appendix C, must be provided to the defendant or third party indemnitor for each bond posted *with a duplicate maintained in the agent’s permanent office records*. The Disclosure Statement must be signed and dated by the bail bonding agent and the defendant or third party indemnitor.

E. PERMANENT OFFICE RECORDS

Pursuant to § 12-7-108(4), C.R.S., *permanent office records must be maintained by each bail bonding agent for every undertaking taken or bond written under the bail bonding agent's license for three years immediately after the release of the bond or if collateral and/or promissory note taken, three years after the return of the collateral to the defendant or third party indemnitor or notice to the defendant or third party indemnitor that the terms of any promissory note have been satisfied. Proof of notice shall consist of, at a minimum, a signed release by the defendant or third party indemnitor that they received the promissory note marked paid by the bail bonding agent. Such notice shall be part of the agent's permanent office records. Bail bonding agents' permanent office records shall be open and available for inspection by the Commissioner or the Commissioner's designee upon reasonable notice during normal business hours.* [Emphases added.]

Colorado Insurance Regulation 1-2-14 (Effective 11/1/09), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- D. "Disclosure statement" means the form describing how collateral may be returned, how collateral may be used or forfeited and the physical address to which a copy of the court order releasing the bond shall be delivered. The Disclosure Statement shall be in the form contained in Appendix C of this Regulation.
- E. "Executed Agreement" or "Indemnity Agreement" means the agreement whereby the bail bonding agent agrees to post bond for a defendant.
- F. *"Permanent office records" means records of all bail bonds the bail bonding agent executes or countersigns, executed copies of the Disclosure Statement, Executed Agreement/Indemnity Agreement and prenumbered receipt for each bond undertaking, the Daily Bond Register and any other records pertaining to transactions made under the bail bonding agent's license.* [Emphasis added.]
- G. "Prenumbered receipt" means a preprinted or embossed sequentially numbered receipt.

Section 5. Rules

...

B. Pre-numbered Receipts

...

5. A duplicate copy of the prenumbered receipt shall be retained in the bail bonding agent's permanent office records.

C. Executed Agreement/Indemnity Agreement

...

3. The original Executed Agreement/Indemnity Agreement shall be maintained as part of the bail bonding agent's permanent office records and a duplicate copy shall be provide to the defendant or third party indemnitor.

D. Disclosure Statement

...

3. The original Disclosure Statement shall be provided to the defendant or third party indemnitor for each bond posted, with a duplicate copy maintained in the bail bonding agent's permanent office records.

E. Permanent Office Records

1. Pursuant to § 12-7-108(4), C.R.S., permanent office records must be maintained by each bail bonding agent for every undertaking or bond written under the bail bonding agent's license for:
 - a. Three (3) years immediately after the release of the bond; or
 - b. Three (3) years after the return of collateral to the defendant or third party indemnitor if collateral was taken; or
 - c. Three (3) years after notice to the defendant or third party indemnitor that the terms of any promissory note have been satisfied if promissory note(s) were taken. Proof of notice shall consist of, at a minimum, a signed release by the defendant or third party indemnitor that they received the promissory note marked satisfied by the bail bonding agent and shall be maintained as part of the bail bonding agent's permanent office records.
2. Bail Bonding agents' permanent office records shall be open and available for inspection by the Commissioner or the Commissioner's designee upon reasonable notice during normal business hours.

The Company was not in compliance with Colorado insurance law in that US Fire, through its agents, was unable to produce ten (10) complete files and other files were missing certain specific requested documentation as listed below.

Bail Bonds – Missing Records

Files/Documents Missing	Number of Documents Missing
Complete Files	10
Appearance Bonds	96
Indemnity Agreement	45
Payment Plans	58
Disclosure Statement	248
Applications	212

US Fire was not in compliance with Colorado insurance law in that it failed, through its agents, to retain complete files or pertinent file documentation as part of its permanent office records sufficient to permit the examiners to review US Fire's market conduct processes, as noted in the above chart. These exceptions were considered a single exception regardless of the number of items missing from the files.

Recommendation No. 1:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-108, C.R.S., and Colorado Insurance Regulations 1-1-7 and 1-2-14 during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date this report is adopted, to provide written evidence to the Division that it has revised its procedures to ensure that all records required for market conduct purposes are retained and can be provided within the time period required by current Colorado insurance law.

AGENTS

Issue D1: Failure, in some instances, to register with the Commissioner the use of any assumed, trade or fictitious name prior to using the name.

Section 10-2-701, C.R.S., Assumed names – registration - rules, states:

Any insurance producer using an assumed name, including without limitation a trade or fictitious name, under which the insurance producer conducts business shall register the name with the insurance commissioner prior to using the assumed name.

The commissioner shall not accept registration of any name that would tend to be misleading to the public or that is identical or similar to the name of any producer whose license has been revoked or suspended. Every insurance producer licensee shall promptly file with the commissioner a written notice of any change in or discontinuation of the use of any name. The commissioner may promulgate all rules necessary and proper to implement the provisions of this section. [Emphasis added.]

Colorado Insurance Regulation 1-2-10, Concerning the Regulation of Insurance Producers by the Colorado Division of Insurance: Colorado Producer licensing Model Act, promulgated under the authority of §§ 10-1-109, 10-2-104, 10-2-407, 10-2-413, 10-16-414, and 12-7-102(3) C.R.S., states in part:

...

Section 9 Producer Registration of Assumed (Trade) Name

Each producer shall register with the Commissioner in writing the use of any assumed or fictitious name under which the producer conducts business prior to using the assumed name. The Commissioner will not accept registration of any name that is similar or identical to the name of any producer whose license was suspended or revoked. Producers are reminded that they must provide written notice to commissioner of any change in or discontinuance of the use of any name. [Emphasis added.]

Of the original sample of thirty-three (33) bail bonding agents, one (1) bail bonding agent's files were not available for the examination, and were removed from the sample. Documentation was reviewed for 685 files that had been randomly selected from thirty-two (32) bail bonding agents that were authorized to write bail bonds on behalf of US Fire. It was noted that all thirty-two (32) agents were conducting business under an assumed or trade name.

Trade Names Not Registered

Population	Sample Size	Number of Exceptions	Total Error Rate
33	32	18	56%

US Fire was not in compliance with Colorado insurance law in that in eighteen (18) of the thirty-two (32) agents reviewed, US Fire, through its agents, failed to register with the Commissioner, prior to use, any assumed, trade or fictitious name under which the bail bonding agent conducted business.

Recommendation No. 2:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to provide written submission or rebuttal as to why it should not be considered to have been in violation of § 10-2-701, C.R.S., and Colorado Insurance Regulation 1-2-10 during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date this report is adopted to provide written evidence to the Division that it has implemented procedures to require that its agents register with the Commissioner, prior to use, any assumed trade or fictitious name, as required by current Colorado insurance law.

Issue D2: Failure, in some instances, for the bail bonding agent to maintain possession of files.

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

...

- (5) *The bail bonding agent shall keep at the place of his or her business, or if using an agent for service of process required pursuant to subsection (2) of this section, shall make available at the business of the agent for service of process all records pertaining to transactions made under the agent's license and shall keep all the records as to any particular transaction available and open to inspection by the commissioner or the commissioner's authorized representative during normal business hours for the three years immediately after the date of release of the bond and return of the collateral, if applicable, or proof of notice to the defendant or third-party indemnitor that the terms if any promissory note have been satisfied. Such records include, without limitation: . . . [Emphasis added.]*

Colorado Insurance Regulation 1-2-14 (Effective 12/1/04), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- F. "Permanent office records" means records of all bail bonds the bail bonding agent executes or countersigns, executed copies of the Disclose Statement, executed agreement/indemnity agreement and prenumbered receipt of each bond undertaking, the Daily Bond Register and any other records pertaining to transactions made under the bail bonding agent's license.

...

Section 5. Rules

...

E. Permanent Office Records

Pursuant to § 12-7-108(4), C.R.S. (2004) permanent office records must be maintained by each bail bonding agent for every undertaking taken or bond written under the bail bonding agent's license for three years immediately after the release of the bond or if collateral and/or promissory note taken, three years after the return of the collateral to the defendant or third party indemnitor or notice to the defendant or third party indemnitor that the terms of any promissory note have been satisfied. ... [Emphasis added.]

Colorado Insurance Regulation 1-2-14 (Effective 11/1/09), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- F. “Permanent office records” means records of all bail bonds the bail bonding agent executes or countersigns, executed copies of the Disclose Statement, executed agreement/indemnity agreement and prenumbered receipt of each bond undertaking, the Daily Bond Register and any other records pertaining to transactions made under the bail bonding agent’s license.

Section 5. Rules

...

E. Permanent Office Records

1. *Pursuant to § 12-7-108(4), C.R.S. (2004) permanent office records must be maintained by each bail bonding agent for every undertaking taken or bond written under the bail bonding agent’s license:*
 - a. Three (3) years immediately after the release of the bond; or
 - b. Three (3) years after the return of the collateral to the defendant or third party indemnitor if collateral was taken; or
 - c. Three (3) years after notice to the defendant or third party indemnitor that the terms of any promissory note have been satisfied... [Emphasis added.]

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire’s bail bond agents to guarantee bail bonds posted during 2009.

Maintenance of Permanent Office Records

Population	Sample Size	Number of Files Reviewed	Number of Files with Exceptions	Total Error Rate
6,203	685	685	108	16%

US Fire was not in compliance with Colorado insurance law in that in 108 instances out of 685 files reviewed, US Fire, through its agents, failed to maintain permanent office records in the possession of the bail bond agent who wrote the bond.

Recommendation No. 3:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-108, C.R.S., and Colorado Insurance Regulation 1-2-14 during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date that this report is adopted, to provide written evidence to the Division that it has implemented procedures to require that the bail bond agent that wrote the bond will maintain possession of their files, as required by current Colorado insurance law.

Issue D3: Failure, in some instances, to record the bond or to accurately record the date the bond was written in the daily bond register.

Section 12-7-105, C.R.S., Reports and records required – bonding agent – division, states in part:

- (1) Each licensed bail bonding agent shall provide a report to the division no later than November 1 of each year. Such report shall be in the form and manner that the division requires and shall include, but not be limited to, the following information:
 - (a) The names of the persons for whom such bail bonding agent has become surety;
 - (b) A description of any bond activity;

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

...

- (3) As a minimum requirement for permanent office records, each bail bonding agent who is engaged in the bail bond business shall maintain a current and up-to-date bond register in a form with such content as prescribed by the commissioner that shall identify all bonds or undertakings executed by the licensee.

Colorado Insurance Regulation 1-2-14 (Effective 12/1/04), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part: (Pre-11/1/09)

...

Section 4. Definitions

...

- C. “Daily bond register” means the current and up-to-date bond register required by § 12-7-108(3), C.R.S. that identifies every executed bond or undertaking taken by the bail bonding agent using the form attached in Appendix A.

Section 5. Rules

A. Daily Bond Register

Each bail bonding agent shall maintain a current and up-to-date Daily Bond Register that identifies every executed bond or undertaking taken by the bail bonding agent, in the form prescribed in Appendix A, as part of their permanent office records. The form contain in Appendix A shall also be used for the annual report to the Division required by § 12-7-105, C.R.S.

Annual reports covering the twelve-month period of July 1 of the prior calendar year through June 30 of the current calendar year are due no later than November 1 of each year, and *must include the affidavit in Appendix B*. [Emphases added.]

Colorado Insurance Regulation 1-2-14 (Effective 11/1/09), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- C. “Daily bond register” means the current and up-to-date bond register required by § 12-7-108(3), C.R.S. that identifies every executed bond or undertaking taken by the bail bonding agent. The Daily Bond Register shall be maintained on the form prescribed in Appendix A of this regulation.

Section 5. Rules

A. Daily Bond Register

1. *Each bail bonding agent shall maintain a current and up-to-date Daily Bond Register that identifies every executed bond or undertaking by the bail bonding agent as part of their permanent office records. The Daily Bond Register shall be maintained on the form prescribed in Appendix A of this Regulation.*
2. The form contained in Appendix A shall also be used for the annual report to the Division required by § 12-7-105, C.R.S.
 - a. Annual reports covering the twelve-month period of July 1 of the prior calendar year through June 30 of the current calendar year are due no later than November 1 of each year, and *must include the affidavit in Appendix B*. [Emphases added.]

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire’s bail bond agents to guarantee bail bonds posted during the examination period of 2009.

Date Bond Posted on Daily Bond Register Not Accurate

Population	Sample Size	Number of Files with Reviewed	Number of Files with Exceptions	Total Error Rate
6,203	685	685	99	14%

US Fire was not in compliance with Colorado insurance law in that in ninety-nine (99) instances, US Fire, through its agents, failed to either record the bond or to accurately record the date the bond was posted in the Daily Bond Register.

Recommendation No. 4:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of §§ 12-7-105 and 12-7-108, C.R.S., and Colorado Insurance Regulation 1-2-14 during the examination period.

Issue D4: Failure, in some instances, to record the collateral receipt number in the daily bond register.

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

...

- (4) *Each bail bonding agent who accepts money or any other consideration for a bond or undertaking shall, for each payment received, give to each indemnitor a prenumbered, signed receipt as evidence of payment.* The prenumbered, signed receipt shall state the date, the name of the defendant, a description of the consideration or money received and the purpose for which it was received, the number of any power-of-attorney form attached to the bond, the penal sum of the bond, the name of the indemnitor, and the terms under which the money or other consideration shall be released. Each bail bonding agent shall retain a duplicate copy of each receipt issued as part of the agent's records and shall account for all of the prenumbered receipts whether they were issued to an indemnitor or destroyed, or otherwise not used by the agent. [Emphasis added.]

Colorado Insurance Regulation 1-2-14 (Effective 12/1/04), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- G. "Prenumbered receipt" means a preprinted or stamped, sequentially numbered receipt, containing the following information: date the money or other consideration is received by the bail bonding agent (including any premium paid or collateral received), name of the defendant, a description of the consideration or amount of money received, the purpose for which the consideration or money was received, the number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available), the penal sum of the bond, the name of the indemnitor, and the terms under which the money or other consideration shall be released.

Section 5. Rules

...

B. Prenumbered Receipts

Each bail bonding agent shall use preprinted or stamped, sequentially numbered receipts whenever money or any other consideration for a bond or undertaking is received by the bail bonding agent. *The number of each prenumbered receipt must be entered in the Daily Bond Register in*

sequential order. Each prenumbered, sequentially numbered receipt shall contain the information listed in the definition above. The original prenumbered receipt must be signed and dated by a bail bonding agent and given to the defendant or third party indemnitor and a duplicate copy retained in the bail bonding agent's permanent office records. *Bail bonding agents shall account for all of the prenumbered receipts in the Daily Bond Register,* whether they were issued, destroyed or otherwise not used by the bail bonding agent. [Emphases added.]

Colorado Insurance Regulation 1-2-14 (Effective 11/1/09), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- G. "Prenumbered receipt" means a preprinted or embossed sequentially numbered receipt.

Section 5. Rules

...

B. Pre-numbered Receipts

1. Each bail bonding agent shall use prenumbered embossed receipts, including any power of attorney receipt or premium payment receipt, whenever money or any other consideration for a bond or undertaking is received by the bail bonding agent.
2. Each prenumbered embossed receipt shall contain the following minimum information:
 - a. The date the money or other consideration is received by the bail bonding agent (including any premium paid or collateral received);
 - b. The name of the defendant;
 - c. A description of the consideration or amount of money received;
 - d. The purpose for which the consideration or money was received;
 - e. The number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available);
 - f. The penal sum of the bond;

- g. The name of the indemnitor; and
- h. The terms under which the money or other consideration shall be released.
3. *The number of each prenumbered receipt shall be entered in the Daily Bond Register in sequential order.*
4. The original prenumbered receipt shall be signed and dated by the bail bonding agent and given to the defendant or third party indemnitor.
5. A duplicate copy of the prenumbered receipt shall be retained in the bail bonding agent's permanent office records.
6. *Bail bonding agents shall account for all prenumbered receipts in the Daily Bond Register, whether they were issued, destroyed or otherwise not used by the bail bonding agent. [Emphasis added.]*
7. If multiple bail bonds are written by the same bail bonding agent for the same defendant, the bail bonding agent must issue a pre-numbered receipt that conforms with this Section 5.B. for each bail bond written. Pre-numbered receipts, whether for premium or collateral, that are issued that do not reflect each bail bond as a separate transaction shall not be in conformance with this Section 5.B. [Emphases added.]

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire's bail bonding agents to guarantee bail bonds posted during 2009. The examiners noted that in forty-nine (49) instances collateral was taken to secure the bond. One collateral receipt was not provided for review.

Collateral Receipts

Number of Files with Collateral Receipts	Number of Exceptions	Total Error Rate
48	48	100%

US Fire was not in compliance with Colorado insurance law in that in forty-eight (48) of the forty-eight (48) files reviewed, US Fire, through its agents, failed to record the collateral receipt number on the agent's daily bond register.

Recommendation No. 5:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-108, C.R.S., and Colorado Insurance Regulation 1-2-14 during the examination period.

Issue D5: Failure, in some instances, to record the premium receipt number in the daily bond register.

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

...

- (4) Each bail bonding agent who accepts money or any other consideration for a bond or undertaking shall, for each payment received, give to each indemnitor a prenumbered, signed receipt as evidence of payment. The prenumbered, signed receipt shall state the date, the name of the defendant, a description of the consideration or money received and the purpose for which it was received, the number of any power-of-attorney form attached to the bond, the penal sum of the bond, the name of the indemnitor, and the terms under which the money or other consideration shall be released. *Each bail bonding agent shall retain a duplicate copy of each receipt issued as part of the agent's records and shall account for all of the prenumbered receipts whether they were issued to an indemnitor or destroyed, or otherwise not used by the agent.* [Emphases added.]

Colorado Insurance Regulation 1-2-14 (Effective 12/1/04), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- G. "Prenumbered receipt" means a preprinted or stamped, sequentially numbered receipt, containing the following information: date the money or other consideration is received by the bail bonding agent (including any premium paid or collateral received), name of the defendant, a description of the consideration or amount of money received, the purpose for which the consideration or money was received, the number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available), the penal sum of the bond, the name of the indemnitor, and the terms under which the money or other consideration shall be released.

Section 5. Rules

...

B. Prenumbered Receipts

Each bail bonding agent shall use preprinted or stamped, sequentially numbered receipts whenever money or any other consideration for a bond or

undertaking is received by the bail bonding agent. *The number of each prenumbered receipt must be entered in the Daily Bond Register in sequential order. Each prenumbered, sequentially numbered receipt shall contain the information listed in the definition above.* The original prenumbered receipt must be signed and dated by a bail bonding agent and given to the defendant or third party indemnitor and a duplicate copy retained in the bail bonding agent's permanent office records. *Bail bonding agents shall account for all of the prenumbered receipts in the Daily Bond Register, whether they were issued, destroyed or otherwise not used by the bail bonding agent.* [Emphases added.]

Colorado Insurance Regulation 1-2-14, (Effective 11/1/09), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- G. "Prenumbered receipt" means a preprinted or embossed sequentially numbered receipt.

Section 5. Rules

...

B. Pre-numbered Receipts

1. Each bail bonding agent shall use prenumbered embossed receipts, including any power of attorney receipt or premium payment receipt, whenever money or any other consideration for a bond or undertaking is received by the bail bonding agent..
2. Each prenumbered embossed receipt shall contain the following minimum information:
 - a. The date the money or other consideration is received by the bail bonding agent (including any premium paid or collateral received);
 - b. The name of the defendant;
 - c. A description of the consideration or amount of money received;
 - d. The purpose for which the consideration or money was received;
 - e. The number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available);

- f. The penal sum of the bond;
 - g. The name of the indemnitor; and
 - h. The terms under which the money or other consideration shall be released.
3. *The number of each prenumbered receipt shall be entered in the Daily Bond Register in sequential order.*
 4. The original prenumbered receipt shall be signed and dated by the bail bonding agent and given to the defendant or third party indemnitor.
 5. A duplicate copy of the prenumbered receipt shall be retained in the bail bonding agent's permanent office records.
 6. *Bail bonding agents shall account for all prenumbered receipts in the Daily Bond Register, whether they were issued, destroyed or otherwise not used by the bail bonding agent.*
 7. If multiple bail bonds are written by the same bail bonding agent for the same defendant, the bail bonding agent must issue a pre-numbered receipt that conforms with this Section 5.B. for each bail bond written. Pre-numbered receipts, whether for premium or collateral, that are issued that do not reflect each bail bond as a separate transaction shall not be in conformance with this Section 5.B. [Emphases added.]

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire's bail bond agents to guarantee bail bonds posted during 2009. Three (3) Premium Receipts were not provided to the examiners.

Premium Receipts

Number of Company Produced Premium Receipts	Number of Exceptions	Total Error Rate
682	220	32%

US Fire was not in compliance with Colorado insurance law in that in 220 of the 682 files reviewed which contained Premium Receipts, US Fire failed, through its agents, to record one or more premium receipt number on the agent's daily bond register.

Recommendation No. 6:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-108, C.R.S., and Colorado Insurance Regulation 1-2-14 during the examination period.

Issue D6: Failure of the Company's agents, in some instances, to fulfill fiduciary responsibilities by commingling funds.

Section 10-2-704, C.R.S., Fiduciary responsibilities, states in part:

- (1)(a) All premiums belonging to insurers and all unearned premiums belonging to insureds received by an insurance producer licensee under this article shall be treated by each insurance producer in a fiduciary capacity. The commissioner may promulgate such rules as are necessary and proper relating to the treatment of such premiums.

...

- (5) No insurance producer under this article shall commingle premiums belonging to insurers and returned premiums belonging to insureds with the producer's personal funds or with any other funds except those directly connected with the producer's insurance business.

Colorado Insurance Regulation 1-2-1, Concerning Fiduciary Responsibilities, as promulgated under the authority of §§ 10-1-109, 10-2-104, 10-2-704, 10-3-1110, C.R.S., states in part:

...

Section 4. Rule

...

- B. Upon receipt, the insurance producer or agency *shall treat all premiums and returned premiums in a fiduciary capacity, including but not limited to the following:*
1. Upon receipt the insurance producer or agency must treat all premiums and return premiums as trust funds *and segregate them from his own funds;*
 2. The insurance producer or agency must keep an accurate record of all fiduciary funds;
 3. The insurance producer or agency *must not treat insurance premiums or returned premiums as a personal or business asset;. . .*[Emphases added.]

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire's bail bond agents to guarantee bail bonds posted during 2009. This sample represented files from thirty-two (32) agents.

Bail Bonding Agents – Fiduciary Treatment of Funds

Population	Number of Agents Reviewed	Number of Files with Exceptions	Total Error Rate
59	32	19	59%

US Fire was not in compliance with Colorado insurance law in that for nineteen (19) of the thirty-two (32) agents reviewed, US Fire, through its agents, failed to keep the insurer's portion of their premium monies separate from their business operating account, and/or failed to keep cash or credit card payment collateral separate from their business or premium account.

Recommendation No. 7:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 10-2-704, C.R.S., and Colorado Insurance Regulation 1-2-1 during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date this report is adopted, to provide written evidence to the Division that it has implemented procedures to require that its agents segregate premium monies and cash or credit card payment collateral from their business or premium accounts, as required by current Colorado insurance law.

CONTRACT FORMS

Issue E1: Failure of the Company's collateral receipts to include all required information.

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

- (1) All indemnity agreements, promissory notes, premium and *collateral receipts*, and bond revocation agreements shall be in writing *and signed by the bail bonding agent and the defendant or third-party indemnitor*. If the defendant or third-party indemnitor is illiterate or does not read the English language, such bail bonding agent shall note on the indemnity agreement that he or she or a third party has read or translated the agreement to the defendant or third-party indemnitor, and shall affix an affidavit attesting that the document was translated to the indemnity agreement. ...

...

- (4) Each *bail bonding agent* who accepts money or any other consideration for a bond or undertaking *shall*, for each payment received, *give to each indemnitor a prenumbered, signed receipt as evidence of payment*. The prenumbered, signed receipt *shall state the date*, the name of the defendant, a description of the consideration or money received and the purpose for which it was received, the number of any power-of-attorney form attached to the bond, the penal sum of the bond, the name of the indemnitor, and the terms under which the money or other consideration shall be released. Each bail bonding agent shall retain a duplicate copy of each receipt issued as part of the agent's records and shall account for all of the prenumbered receipts whether they were issued to an indemnitor or destroyed, or otherwise not used by the agent. [Emphases added.]

Section 12-7-109 C.R.S., Prohibited activities - penalties, states in part:

- (1) It is unlawful for any licensee under this article to engage in any of the following activities:

...

- (d.5) Except for the fee received for the bond, to fail to *return any collateral or security within ten working days* after receipt of a copy of the court order that results in a release of the bond by the court, unless the collateral also secures other obligations in compliance with section 12-7-108 (10). A copy of the court order shall be provided to the bonding agent in Colorado or the company, if any, for whom the bonding agent works whether in Colorado or out-of-state, or both, by the person for whom the bond was written; except that, if three years have elapsed from the date of the posting of the bond, unless a judgment has been entered against the surety or the principal for the forfeiture of the bond, or unless the court grants an extension of the three-year time period for good cause shown, the bail bonding agent, as principal or as surety, shall be exonerated and, at the request of the person who tendered the collateral or security, return the collateral or security to the person who posted the collateral or security within ten

business days after the three-year time period. The commissioner may release a lien after the three-year time period has expired if the lienholder cannot be contacted after an attempt has been made by certified mail and the attempt has failed.

- (e) Accept anything of value from a person on whose bond such licensee is surety or from others on behalf of such person except the fee or premium on the bond, but the bail bonding agent may accept collateral security or other indemnity if:

...

- (IV) The person from whom the collateral or security is taken is *issued a receipt describing the condition of the collateral at the time it is taken into the custody of the bail bonding agent*; [Emphases added.]

Colorado Insurance Regulation 1-2-14 (Effective 12/1/04), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4 Definitions

...

- G. "Prenumbered receipt" means a preprinted or stamped, sequentially numbered receipt, containing the following information: date the money or other consideration is received by the bail bonding agent (including any premium paid or collateral received), name of the defendant, a description of the consideration or amount of money received, the purpose for which the consideration or money was received, the number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available), the penal sum of the bond, the name of the indemnitor, and the terms under which the money or other consideration shall be released.

Section 5 Rules

...

B. Prenumbered Receipts

Each bail bonding agent shall use preprinted or stamped, sequentially numbered receipts whenever money or any other consideration for a bond or undertaking is received by the bail bonding agent. The number of each prenumbered receipt must be entered in the Daily Bond Register in sequential order. Each prenumbered, sequentially numbered receipt shall contain the information listed in the definition above. The original

prenumbered *receipt must be signed and dated by a bail bonding agent* and given to the defendant or third party indemnitor and a duplicate copy retained in the bail bonding agent's permanent office records. Bail bonding agents shall account for all of the prenumbered receipts in the Daily Bond Register, whether they were issued, destroyed or otherwise not used by the bail bonding agent. [Emphasis added.]

Colorado Insurance Regulation 1-2-14 (Effective 11/1/09), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- G. "Prenumbered receipt" means a preprinted or embossed sequentially numbered receipt.

Section 5. Rules

...

C. Pre-numbered Receipts

1. Each bail bonding agent shall use prenumbered embossed receipts, including any power of attorney receipt or premium payment receipt, whenever money or any other consideration for a bond or undertaking is received by the bail bonding agent.
2. *Each prenumbered embossed receipt shall contain the following minimum information:*
 - a. The date the money or other consideration is received by the bail bonding agent (including any premium paid or collateral received);
 - b. The name of the defendant;
 - c. *A description of the consideration or amount of money received;*
 - d. The purpose for which the consideration or money was received;
 - e. The number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available);
 - f. The penal sum of the bond;
 - g. The name of the indemnitor; and

- h. *The terms under which the money or other consideration shall be released.*
3. The number of each prenumbered receipt shall be entered in the Daily Bond Register in sequential order.
 4. The original prenumbered receipt shall be signed and dated by the bail bonding agent and given to the defendant or third party indemnitor.
 5. A duplicate copy of the prenumbered receipt shall be retained in the bail bonding agent's permanent office records.
 6. Bail bonding agents shall account for all prenumbered receipts in the Daily Bond Register, whether they were issued, destroyed or otherwise not used by the bail bonding agent.
 7. If multiple bail bonds are written by the same bail bonding agent for the same defendant, the bail bonding agent must issue a pre-numbered receipt that conforms with this Section 5.B. for each bail bond written. Pre-numbered receipts, whether for premium or collateral, that are issued that do not reflect each bail bond as a separate transaction shall not be in conformance with this Section 5.B. [Emphases added.]

US Fire was not in compliance with Colorado insurance law in that the two (2) specimen collateral receipts provided for review did not meet the statutory requirements of Colorado insurance law in that the following required elements were missing:

- The receipt did not contain the terms under which the money or other consideration shall be released;
- There was no place designated for the description of the condition of the collateral at time of receipt by the bail bond agent; and
- There was no place designated for the purpose of receipt of collateral.

Form Name

Form Number

RECEIPT FOR COLLATERAL DEPOSITED
RECEIPT FOR COLLATERAL DEPOSITED

S-0023US C REV. (01/06) (06/08)
S-0070US (01/06)

Recommendation No. 8:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of §§ 12-7-108 and 12-7-109, C.R.S., and Colorado Insurance Regulation 1-2-14 during the examination period.

Otherwise, US Fire shall be required, within sixty (60) days from the date this report is adopted, to provide written evidence to the Division that it has revised its forms and implemented procedures to ensure use of collateral receipts that comply with current Colorado insurance law.

Issue E2: Failure of the Company's premium receipts to include all required information.

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

...

- (4) Each bail bonding agent who accepts money or any other consideration for a bond or undertaking shall, for each payment received, give to each indemnitor a prenumbered, signed receipt as evidence of payment. The prenumbered, signed receipt shall state the date, the name of the defendant, *a description of the consideration or money received and the purpose for which it was received*, the number of any power-of-attorney form attached to the bond, the penal sum of the bond, the name of the indemnitor, *and the terms under which the money or other consideration shall be released*. Each bail bonding agent shall retain a duplicate copy of each receipt issued as part of the agent's records and shall account for all of the prenumbered receipts whether they were issued to an indemnitor or destroyed, or otherwise not used by the agent. [Emphasis added.]

Colorado Insurance Regulation 1-2-14 (Effective 12/1/04), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4 Definitions

...

- H. "Prenumbered receipt" means a preprinted or stamped, sequentially numbered receipt, containing the following information: date the money or other consideration is received by the bail bonding agent (including any premium paid or collateral received), name of the defendant, a description of the consideration or amount of money received, the purpose for which the consideration or money was received, the number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available), the penal sum of the bond, the name of the indemnitor, *and the terms under which the money or other consideration shall be released*.

Section 5 Rules

...

C. Prenumbered Receipts

Each bail bonding agent shall use preprinted or stamped, sequentially numbered receipts whenever money or any other consideration for a bond or undertaking is received by the bail bonding agent. The number of each

prenumbered receipt must be entered in the Daily Bond Register in sequential order. *Each prenumbered, sequentially numbered receipt shall contain the information listed in the definition above.* The original prenumbered receipt must be *signed and dated by a bail bonding agent* and given to the defendant or third party indemnitor and a duplicate copy retained in the bail bonding agent's permanent office records. Bail bonding agents shall account for all of the prenumbered receipts in the Daily Bond Register, whether they were issued, destroyed or otherwise not used by the bail bonding agent. [Emphases added.]

Colorado Insurance Regulation 1-2-14 (Effective 11/1/09), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- H. "Prenumbered receipt" means a preprinted or embossed sequentially numbered receipt.

Section 5. Rules

...

C. Pre-numbered Receipts

1. Each bail bonding agent shall use prenumbered embossed receipts, including any power of attorney receipt or premium payment receipt, whenever money or any other consideration for a bond or undertaking is received by the bail bonding agent..
2. *Each prenumbered embossed receipt shall contain the following minimum information:*
 - a. *The date the money or other consideration is received by the bail bonding agent (including any premium paid or collateral received);*
 - b. The name of the defendant;
 - c. *A description of the consideration or amount of money received;*
 - d. The purpose for which the consideration or money was received;
 - e. The number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available);
 - f. The penal sum of the bond;

- g. The name of the indemnitor; and
 - h. The terms under which the money or other consideration shall be released.
3. The number of each prenumbered receipt shall be entered in the Daily Bond Register in sequential order.
4. *The original prenumbered receipt shall be signed and dated by the bail bonding agent and given to the defendant or third party indemnitor.*
5. A duplicate copy of the prenumbered receipt shall be retained in the bail bonding agent's permanent office records.
6. Bail bonding agents shall account for all prenumbered receipts in the Daily Bond Register, whether they were issued, destroyed or otherwise not used by the bail bonding agent.
7. If multiple bail bonds are written by the same bail bonding agent for the same defendant, the bail bonding agent must issue a pre-numbered receipt that conforms with this Section 5.B. for each bail bond written. Pre-numbered receipts, whether for premium or collateral, that are issued that do not reflect each bail bond as a separate transaction shall not be in conformance with this Section 5.B. [Emphases added.]

US Fire was not in compliance with Colorado insurance law in that the two (2) specimen premium receipts provided for review did not meet the statutory requirements of Colorado insurance law in that the following required elements were missing:

- a place designated for the description of the consideration or amount of money received;
- a place designated for the terms under which the money or other consideration shall be released; and
- a place designated for the signature of a bail bonding agent.

Additionally, form S-0067US (01/06) failed to provide a space for the date of the signature of the bail bonding agent.

Form Name

Form Number

RECEIPT AND STATEMENT OF CHARGES
RECEIPT AND STATEMENT OF CHARGES

S-0023US B REV. (01/06) (06/08)
S-0067US (01/06)

Recommendation No. 9:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-108, C.R.S., and Colorado Insurance Regulation 1-2-14 during the examination period.

Otherwise, US Fire shall be required, within sixty (60) days from the date this report is adopted, to provide written evidence to the Division that it has revised its forms and implemented procedures to ensure use of premium receipt forms that comply with current Colorado insurance law.

Issue E3: Failure of the Company's bail bond applications and contracts to include all required information.

Section 10-1-128, C.R.S., Fraudulent insurance acts – immunity for furnishing information relating to suspected insurance fraud-legislative declaration, states in part:

. . .

- (6)(a) Each insurance company shall provide *on all printed applications for insurance, or on all insurance policies, or on all claim forms provided and required by an insurance company, or required by law*, whether printed or electronically transmitted, a statement, in conspicuous nature, permanently affixed to the application, insurance policy, or claim form substantially the same as the following:

“It is unlawful to knowingly provide false, incomplete, or misleading facts or information to an insurance company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance, and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policyholder or claimant for the purpose of defrauding or attempting to defraud the policyholder or claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado division of insurance within the department of regulatory agencies.” [Emphasis added.]

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

- (1) All *indemnity agreements*, promissory notes, premium and collateral receipts, and bond revocation agreements shall be in writing *and signed by the bail bonding agent* and the defendant or third-party indemnitor. If the defendant or third-party indemnitor is illiterate or does not read the English language, such bail bonding agent shall note on the indemnity agreement that he or she or a third party has read or translated the agreement to the defendant or third-party indemnitor, and shall affix an affidavit attesting that the document was translated to the indemnity agreement. . . .

. . .

- (5) The bail bonding agent shall keep at the place of his or her business, or if an agent for service of process required pursuant to subsection (2) of this section, shall make available at the business of the agent for service of process all records pertaining to transactions made under the agent's license and shall keep all the records as to any particular transaction available and open to inspection by the commissioner or the commissioner's authorized representative during normal business hours for the three years immediately after the date of release of the bond and return of the collateral, if applicable, or proof of notice to the defendant

or third-party indemnitor that the terms if any promissory note have been satisfied. Such records include, without limitation:

...

- (c) An executed agreement, *signed by the indemnitor and a licensed bail agent*, setting forth the amount of bail set in the case, the name of the defendant released on the bond, the court case number, if available, and the court in which the bond is executed, the *premium charged, the amount and type of collateral held by the bail bonding agent, and the conditions under which the collateral will be returned.* [Emphases added.]

Section 12-7-109, C.R.S., Prohibited activities – penalties, states in part:

- (1) It is unlawful for any licensee under this article to engage in any of the following activities:

...

- (o) Failure to post a bond within twenty-four hours of receipt of full payment or a signed contract for payment, or if the bond is not posted within twenty-four hours of receipt of full payment or a signed contract for payment, *failure to refund all moneys received, release all liens, and return all collateral within forty-eight hours of receipt of such payment or contract.* [Emphasis added.]

Colorado Insurance Regulation 1-2-14 (Effective 12/1/04), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

“Executed agreement” or “indemnity agreement” means the agreement whereby the bail bonding agent agrees to post bond for a defendant. Such agreement shall have the name, address, phone number and license number of the bail bonding agent preprinted or stamped on the form *and must contain the following information:* amount of bail set in the case, the name of the defendant to be released on the bond, the court case number, the court in which the bond is executed, *the premium charged and the amount and type of collateral held by the bail bonding agent and the conditions under which the collateral will be returned.*

Section 5. Rules

...

C. Executed Agreement

Each original executed agreement/indemnity shall have the name, address, phone number and license number of the bail bonding agent preprinted or stamped on the form. The original agreement must be maintained in the agent's permanent office records and a duplicate copy must be provided to the defendant or third party indemnitor. *The executed agreement must be signed and dated by the bail bonding agent and the defendant or third party indemnitor.* [Emphases added.]

Colorado Insurance Regulation 1-2-14 (Effective 11/1/09), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- E. "Executed Agreement" or "Indemnity Agreement" means the agreement whereby the bail bonding agent agrees to post bond for a defendant.

Section 5. Rules

...

C. Executed Agreement/Indemnity Agreement

1. All Executed Agreements/Indemnity Agreements shall have the name, address, phone number and license number of the bail bonding agent preprinted or stamped on the form.
2. All Executed Agreements/Indemnity Agreements shall contain the following minimum information:
 - a. Amount of bail set in the case;
 - b. The name of the defendant to be released on the bond;
 - c. The court case number;
 - d. The court in which the bond is executed;
 - e. The premium charged; and
 - f. *The amount and type of collateral held by the bail bonding agent and the conditions under which the collateral will be returned.*
3. The original Executed Agreement/Indemnity Agreement shall be maintained as part of the bail bonding agent's permanent office records and a duplicate copy shall be provide to the defendant or third party

indemnitor.

4. *The Executed Agreement/Indemnity Agreement shall be signed and dated by the bail bonding agent and the defendant or third party indemnitor.*
5. If multiple bail bonds are written by the same bail bonding agent for the same defendant, the bail bonding agent must issue a pre-numbered receipt that conforms with this Section 5.B. for each bail bond written. Pre-numbered receipts, whether for premium or collateral, that are issued that do not reflect each bail bond as a separate transaction shall not be in conformance with this Section 5.C. [Emphases added.]

US Fire was not in compliance with Colorado insurance law in that the “Bail Bond Application & Contract” form provided for review and in use during the examination period was deficient in the following manner:

- failed to contain a space for the amount of collateral held by the bail bond agent;
- failed to contain a space for the condition under which the collateral will be returned;
- failed to contain a space for the signature and date of the bail bonding agent.
- failed to contain a space for the amount of premium charged;
- failed to contain a space for the type of collateral held by the bail bond agent;
- included a space for multiple bonds rather than being exclusive for each bond issued; and
- stated that “THE PREMIUM PAID ON THIS BOND IS NOT RETURNABLE” which misrepresented the conditions under which bond premium may be returned.

Form Name

Form Number

BAIL BOND APPLICATION & CONTRACT

S-0063US (01/06)

Recommendation No. 10:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of §§ 10-1-128, 12-7-108, and 12-7-109, C.R.S., and Colorado Insurance Regulation 1-2-14 during the examination period.

Otherwise, US Fire shall be required, within sixty (60) days from the date this report is adopted, to provide written evidence to the Division that it has revised its form to ensure use of a bail bond application and contract that complies with current Colorado insurance law.

<p><u>RATES</u></p>

Issue F1: Failure to establish underwriting criteria to support the premium charged and to apply such criteria uniformly across all underwritten risk.

Section 10-3-1104, C.R.S., Unfair methods of competition and unfair or deceptive acts or practices, states in part:

- (1) The following are defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

...

- (f) Unfair discrimination:

...

- (II) *Making or permitting any unfair discrimination between individuals of the same class or between neighborhoods within a municipality and of essentially the same hazard in the amount of premium, policy fees, or rates charged for any policy or contract of insurance, or in the benefits payable thereunder, or in any of the terms or conditions of such contract, or in any other manner whatever; [Emphases added.]*

Section 10-4-403, C.R.S., Standards for rates - competition - procedure - requirement for independent actuarial opinions regarding 1991 legislation, states in part:

- (1) Rates shall not be excessive, inadequate, or *unfairly discriminatory*. The following rate standards shall apply:

...

- (c) *Concerning unfair discrimination, unfair discrimination exists if, after allowing for practical limitations, price differentials fail to reflect equitably the differences in expected losses and expenses. A rate is not unfairly discriminatory solely if different premiums result for policyholders with like loss exposures but different expenses, or like expenses but different loss exposures, so long as the rate reflects the differences with reasonable accuracy. Additionally, the provisions of section 10-3-1104 (1) (f) shall apply. [Emphases added.]*

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

...

- (8) Except for bond filing fees charged by a court or law enforcement agency and the actual cost of storing collateral in a secure, self-service public storage facility or premium financing fees, *no bail bonding agent licensed under this article shall charge for such bail bonding agent's premium, commission, or fee an amount more than fifteen percent of the amount of bail furnished by such bonding agent or fifty dollars, whichever is more. [Emphasis added.]*

Section 12-7-110.5, C.R.S., Rate filing - rules, states in part:

- (1) All cash and professional cash bail bonding agents and all surety companies shall file with the division of insurance a schedule of premium rates charged for bail by the bail bonding agent and shall file revised rates with the division whenever the rates change.
- (2) The commissioner of insurance shall promulgate rules regarding the rate filing requirement pursuant to this section.

Colorado Insurance Regulation 1-2-15, Bail Bond Premium Rate Filing Requirements, promulgated under the authority of §§ 10-1-109, 10-4-404, 10-4-404.5, 12-7-102(3) and 12-7-110.5, C.R.S., states in part:

...

Section 5 Rules

...

- E. All bail insurance companies must continue to file information, including a schedule of premium rates, necessary to ensure compliance with §10-4-403, C.R.S., *which requires that rates not be excessive, inadequate, or unfairly discriminatory*. Filing requirements are provided in Colorado Insurance Regulation 5-1-10 and the most current property and casualty filing bulletin. These documents can be accessed on the Division's website: www.dora.state.co.us/insurance. [Emphasis added.]

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire's bail bond agents to guarantee bail bonds posted during 2009.

Population	Sample Size	Number of Files with Exceptions	Total Error Rate
6,203	685	327	48%

US Fire was not in compliance with Colorado insurance law in that in 327 (48%) of the 685 files reviewed, US Fire, through its agents, charged different premiums for what appeared to be similarly-situated individuals for the same bond amounts with no justification in the file to explain why such individual was being charged a premium less than 15% or \$50.00.

Section 10-4-403, C.R.S., permits different premium rates to be charged provided that the rate reflects the differences between different loss exposures with reasonable accuracy. Charging a rate which is different for individuals with the same bond amounts without documented justification for the premium differences constitutes unfair discrimination in the rates charged.

Recommendation No. 11:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of §§ 10-3-1104, 10-4-403, 12-7-108 and 12-7-110.5, C.R.S., and Colorado Insurance Regulation 1-2-15

during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date this report is adopted, to provide written evidence to the Division that it has established underwriting criteria sufficient to ensure that similarly situated individuals and risks are treated uniformly in the rates that they are charged, and that it has implemented procedures to ensure that its bail bonding agents charge the appropriate filed premium based on US Fire's established underwriting criteria in compliance with current Colorado insurance law.

Issue F2: Failure to file a rate that complies with Colorado insurance law.

Section 10-4-403, C.R.S., Standards for rates – competition – procedure – requirement for independent actuarial opinions regarding 1991 legislation, states in part:

- (1) *Rates shall not be excessive, inadequate, or unfairly discriminatory.* The following standards shall apply:

...

- (b) Concerning inadequacy, rates are not inadequate unless clearly insufficient to sustain projected losses and expenses, or the use of such rates, if continued, will tend to create a monopoly in the market

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

...

- (7) Except for bond filing fees charged by a court or law enforcement agency and the actual cost of storing collateral in a secure, self-service public storage facility or premium financing fees, *no bail bonding agent licensed under this article shall charge for such bail bonding agent's premium, commission, or fee an amount more than fifteen percent of the amount of bail furnished by such bonding agent or fifty dollars, whichever is more.* [Emphasis added.]

Section 12-7-110.5, C.R.S., Rate filing - rules, states:

- (1) All cash and professional cash bail bonding agents and all surety companies shall file with the division of insurance a schedule of premium rates charged for bail by the bail bonding agent and shall file revised rates with the division whenever the rates change.
(2) The commissioner of insurance shall promulgate rules regarding the rate filing requirement pursuant to this section.

Colorado Insurance Regulation 1-2-15, Bail Bond Premium Rate Filing Requirements, promulgated under the authority of §§ 10-1-109, 10-4-404, 10-4-404.5, 12-7-102(3) and 12-7-110.5, C.R.S., states in part:

...

Section 2. Basis and Purpose

The purpose of this regulation is to establish the requirements for the filing of the schedule of premium rates pursuant to the newly enacted statutory provision in §12-7-110.5(1), C.R.S. This regulation replaces Emergency Regulation 04-E-10 in its entirety.

Section 3. Applicability and Scope

This regulation shall apply to all cash bail bonding agents, professional cash bail bonding agents and bail insurance companies that write bail bonds in the state of Colorado.

...

Section 5. Rules

...

C. *All cash bonding agents or professional cash bail agents and all bail insurance companies shall file with the Division of Insurance, concurrent with or prior to use, all revisions to previously filed rates charged for bail by the bail bonding agent.*

...

- E. *All bail insurance companies must continue to file information, including a schedule of premium rates, necessary to ensure compliance with § 10-4-403, C.R.S., which requires that rates not be excessive, inadequate, or unfairly discriminatory. Filing requirements are provided in Colorado Insurance Regulation 5-1-10 and the most current property and casualty filing bulletin. These documents can be accessed on the Division's website: www.dora.state.co.us/insurance. [Emphases added.]*

The examiners reviewed US Fire's rate filing for bail bond premium rates filed with the Division with a requested effective date of 7/1/2006. This rate remained in effect throughout the examination period. US Fire's filing established rates of "no more than fifteen percent (15%) of the amount of the bond or \$20.00, whichever is higher."

US Fire was not in compliance with Colorado insurance law in that the filed minimum rate of \$20.00 was inconsistent with the statutory requirements of Colorado insurance law.

Recommendation No. 12:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of §§ 10-4-403, 12-7-108 and 12-7-110.5, C.R.S., and Colorado Insurance Regulation 1-2-15 during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date this report is adopted, to provide written evidence to the Division that it has filed rates that comply with current Colorado insurance law and has implemented procedures to assure that its agents charge rates in conformity with current Colorado insurance law.

NEW BUSINESS

Issue G1: Failure, in some instances, to include all required information on the executed indemnity agreements.

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

- (1) All indemnity agreements, promissory notes, premium and collateral receipts, and bond revocation agreements shall be in writing and signed by the bail bonding agent and the defendant or third-party indemnitor.
- ...
- (5) The bail bonding agent shall keep at the place of his or her business, or if using an agent for service of process required pursuant to subsection (2) of this section, shall make available at the business of the agent for service of process all records pertaining to transactions made under the agent's license and shall keep all the records as to any particular transaction available and open to inspection by the commissioner or the commissioner's authorized representative during normal business hours for the three years immediately after the date of release of the bond and return of the collateral, if applicable, or proof of notice to the defendant or third-party indemnitor that the terms of any promissory note have been satisfied. Such records include, without limitation:
- ...
- (c) An executed agreement, *signed by the indemnitor and a licensed bail agent*, setting forth the amount of bail set in the case, the name of the defendant released on the bond, *the court case number, if available*, and *the court in which the bond is executed*, the premium charged, the amount and type of collateral held by the bail bonding agent, and the conditions under which the collateral will be returned. [Emphases added.]

Colorado Insurance Regulation 1-2-14 (Effective 12/1/04), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4 Definitions

...

- E. "Executed agreement" or "indemnity agreement" means the agreement whereby the bail bonding agent agrees to post bond for a defendant. Such agreement shall have *the name, address, phone number and license number of the bail bonding agent preprinted or stamped on the form* and must contain the following information: *amount of bail set in the case*, the name of the defendant to be released on the bond, *the court case number*, *the court in which the bond is executed*, the premium charged and the amount and type of

collateral held by the bail bonding agent and the conditions under which the collateral will be returned.

- F. “Permanent office records” means records of all bail bonds the bail bonding agent executes or countersigns, executed copies of the Disclose Statement, executed agreement/indemnity agreement and prenumbered receipt of each bond undertaking, the Daily Bond Register and any other records pertaining to transactions made under the bail bonding agent’s license.

Section 5. Rules

...

C. Executed Agreement

Each original executed agreement/indemnity shall have the name, address, phone number and license number of the bail bonding agent preprinted or stamped on the form. The original agreement must be maintained in the agent’s permanent office records and a duplicate copy must be provided to the defendant or third party indemnitor. The executed agreement must be signed and dated by the bail bonding agent and the defendant or third party indemnitor. [Emphases added.]

Colorado Insurance Regulation 1-2-14 (Effective 11/1/09), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- E. “Executed Agreement” or “Indemnity Agreement” means the agreement whereby the bail bonding agent agrees to post bond for a defendant.
- F. “Permanent office records” means records of all bail bonds the bail bonding agent executes or countersigns, executed copies of the Disclosure Statement, Executed Agreement/Indemnity Agreement and prenumbered receipt for each bond undertaking, the Daily Bond Register and any other records pertaining to transactions made under the bail bonding agent’s license.

Section 5. Rules

...

C. Executed Agreement/Indemnity Agreement

1. *All Executed Agreements/Indemnity Agreements shall have the name, address, phone number and license number of the bail bonding agent preprinted or stamped on the form.*
2. All Executed Agreements/Indemnity Agreements shall contain the following minimum information:
 - a. Amount of bail set in the case;
 - b. The name of the defendant to be released on the bond;
 - c. The court case number;
 - d. The court in which the bond is executed;
 - e. The premium charged; and
 - f. The amount and type of collateral held by the bail bonding agent and the conditions under which the collateral will be returned.
3. The original Executed Agreement/Indemnity Agreement shall be maintained as part of the bail bonding agent's permanent office records and a duplicate copy shall be provide to the defendant or third party indemnitor.
4. The Executed Agreement/Indemnity Agreement shall be signed and dated by the bail bonding agent and the defendant or third party indemnitor.
5. If multiple bail bonds are written by the same bail bonding agent for the same defendant, the bail bonding agent must issue a pre-numbered receipt that conforms with this Section 5.B. for each bail bond written. Pre-numbered receipts, whether for premium or collateral, that are issued that do not reflect each bail bond as a separate transaction shall not be in conformance with this Section 5.C. [Emphases added.]

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire's bail bond agents to guarantee bail bonds posted during 2009. Forty-five (45) Executed/Indemnity Agreements were not provided to the examiners.

Executed/Indemnity Agreements

Population	Sample Size	Number of Files with Indemnity Records Provided	Number of Files with Exceptions	Total Error Rate
6,203	685	640	640	100%

US Fire was not in compliance with Colorado insurance law in that in at least one (1) instance in each of the 640 files reviewed, US Fire, through its agents, failed to include one or more of the following required elements when completing the indemnity agreements:

-
- the pre-printed or stamped name, address, phone number, and license number of the bail bond agent;
 - the amount of bail;
 - the court case number;
 - the court name;
 - the amount of premium;
 - the terms of premium refund;
 - the amount of collateral;
 - the description of collateral;
 - the conditions of the return of collateral; and
 - the signature of the bail bond agent.
-

Recommendation No. 13:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-108, C.R.S., and Colorado Insurance Regulation 1-2-14 during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date this report is adopted, to provide written evidence to the Division that it has implemented procedures to ensure that all indemnity agreements issued by its agents include all information required by current Colorado insurance law.

Issue G2: Failure, in some instances, to include all required information on the collateral receipts.

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

...

- (4) Each bail bonding agent who accepts money or any other consideration for a bond or undertaking shall, for each payment received, give to each indemnitor a prenumbered, signed receipt as evidence of payment. *The prenumbered, signed receipt shall state the date, the name of the defendant, a description of the consideration or money received and the purpose for which it was received, the number of any power-of-attorney form attached to the bond, the penal sum of the bond, the name of the indemnitor, and the terms under which the money or other consideration shall be released.* Each bail bonding agent shall retain a duplicate copy of each receipt issued as part of the agent's records and shall account for all of the prenumbered receipts whether they were issued to an indemnitor or destroyed, or otherwise not used by the agent. [Emphases added.]

Colorado Insurance Regulation 1-2-14 (Effective 12/1/04), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- G. "Prenumbered receipt" means a preprinted or stamped, sequentially numbered receipt, containing the following information: date the money or other consideration is received by the bail bonding agent (including any premium paid or collateral received), name of the defendant, a description of the consideration or amount of money received, the purpose for which the consideration or money was received, *the number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available)*, the penal sum of the bond, the name of the indemnitor, and the terms under which the money or other consideration shall be released.

Section 5. Rules

...

B. Prenumbered Receipts

Each bail bonding agent shall use preprinted or stamped, sequentially numbered receipts whenever money or any other consideration for a bond or undertaking is received by the bail bonding agent. The number of each

prenumbered receipt must be entered in the Daily Bond Register in sequential order. *Each prenumbered, sequentially numbered receipt shall contain the information listed in the definition above.* The original prenumbered receipt must be signed and dated by a bail bonding agent and given to the defendant or third party indemnitor and a duplicate copy retained in the bail bonding agent's permanent office records. Bail bonding agents shall account for all of the prenumbered receipts in the Daily Bond Register, whether they were issued, destroyed or otherwise not used by the bail bonding agent. [Emphases added]

Colorado Insurance Regulation 1-2-14 (Effective 11/1/09), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- G. "Prenumbered receipt" means a preprinted or embossed sequentially numbered receipt.

Section 5. Rules

...

B. Pre-numbered Receipts

1. Each bail bonding agent shall use prenumbered embossed receipts, including any power of attorney receipt or premium payment receipt, whenever money or any other consideration for a bond or undertaking is received by the bail bonding agent..
2. *Each prenumbered embossed receipt shall contain the following minimum information:*
 - a. The date the money or other consideration is received by the bail bonding agent (including any premium paid or collateral received);
 - b. The name of the defendant;
 - c. A description of the consideration or amount of money received;
 - d. The purpose for which the consideration or money was received;
 - e. *The number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available);*
 - f. The penal sum of the bond;

- g. The name of the indemnitor; and
 - h. The terms under which the money or other consideration shall be released.
3. The number of each prenumbered receipt shall be entered in the Daily Bond Register in sequential order.
4. The original prenumbered receipt shall be signed and dated by the bail bonding agent and given to the defendant or third party indemnitor.
5. A duplicate copy of the prenumbered receipt shall be retained in the bail bonding agent's permanent office records.
6. Bail bonding agents shall account for all prenumbered receipts in the Daily Bond Register, whether they were issued, destroyed or otherwise not used by the bail bonding agent.
7. If multiple bail bonds are written by the same bail bonding agent for the same defendant, the bail bonding agent must issue a pre-numbered receipt that conforms with this Section 5.B. for each bail bond written. Pre-numbered receipts, whether for premium or collateral, that are issued that do not reflect each bail bond as a separate transaction shall not be in conformance with this Section 5.B. [Emphases added.]

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire's bail bond agents to guarantee bail bonds posted during 2009. The examiners noted that in forty-nine (49) instances US Fire accepted collateral to secure the bail bond. One (1) Collateral Receipt was not provided to the examiners.

Collateral Receipts

Population	Sample Size	Number of Files with Collateral Receipts Provided	Number of Files with Exceptions	Total Error Rate
6,203	685	48	48	100%

US Fire was not in compliance with Colorado insurance law in that in at least one (1) instance in each of the forty-eight (48) files reviewed, US Fire failed, through its agents to complete one or more of the following required elements or actions with regard to its collateral receipts:

- the power of attorney number;
- the purpose for receipt of collateral;
- the name of third party indemnitor;
- the conditions under which the collateral will be released;
- the signature of the bail bond agent;
- the original Collateral Receipt given to the defendant or third party indemnitor; and,
- the description of the condition of collateral.

Recommendation No. 14:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-108, C.R.S., and Colorado Insurance Regulation 1-2-14 during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date this report is adopted, to provide written evidence to the Division that it has implemented procedures to ensure that its collateral receipts include all information required by current Colorado insurance law.

Issue G3: Failure, in some instances, to report collateral to surety within twenty (20) days of taking collateral.

Section 12-7-107 C.R.S., Notice to surety, states in part:

. . .

- (3) The bail bonding agent shall prepare a list of all collateral taken for assurance of compliance with the bond issued and the fee paid therefor. *The bail bonding agent shall provide such list to the surety within twenty days of taking the collateral. . . .* [Emphasis added.]

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire's bail bond agents to guarantee bail bonds posted during 2009. The examiners noted that in forty-nine (49) instances, US Fire accepted collateral to secure the bail bond. One (1) Collateral Receipt was not provided to the examiners.

Collateral				
Population	Sample Size	Number of Files with Collateral Receipts	Number of Files with Exceptions	Total Error Rate
6,203	685	48	22	46%

US Fire was not in compliance with Colorado insurance law in that in twenty-two (22) of the forty-eight (48) files reviewed, US Fire failed, through its agents, to report the collateral to the surety within twenty (20) days of taking the collateral.

Recommendation No. 15:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-107, C.R.S., during the examination period.

Issue G4: Failure, in some instances, to return collateral within ten (10) working days of receipt of notice of discharge of the bond.

Section 12-7-109 C.R.S., Prohibited activities - penalties, states in part:

- (1) It is unlawful for any licensee under this article to engage in any of the following activities:

...

- (d.5) Except for the fee received for the bond, *to fail to return any collateral or security within ten working days after receipt of a copy of the court order that results in a release of the bond by the court*, unless the collateral also secures other obligations in compliance with section 12-7-108 (10). A copy of the court order shall be provided to the bonding agent in Colorado or US Fire, if any, for whom the bonding agent works whether in Colorado or out-of-state, or both, by the person for whom the bond was written; except that, if three years have elapsed from the date of the posting of the bond, unless a judgment has been entered against the surety or the principal for the forfeiture of the bond, or unless the court grants an extension of the three-year time period for good cause shown, the bail bonding agent, as principal or as surety, shall be exonerated and, at the request of the person who tendered the collateral or security, return the collateral or security to the person who posted the collateral or security within ten business days after the three-year time period. The commissioner may release a lien after the three-year time period has expired if the lienholder cannot be contacted after an attempt has been made by certified mail and the attempt has failed. [Emphasis added.]

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire's bail bond agents to guarantee bail bonds posted during 2009. The examiners noted that in forty-nine (49) instances that collateral was accepted to secure the bail bond. One (1) collateral receipt was not provided to the examiners.

Collateral

Population	Sample Size	Number of Files with Collateral Receipts	Number of Files with Exceptions	Total Error Rate
6,203	685	48	15	31%

US Fire was not in compliance with Colorado insurance law in that in fifteen (15) of the forty-eight (48) files reviewed, US Fire, through its agents, failed to return the collateral within ten (10) working days of receipt of notice of discharge of the bond.

Recommendation No. 16:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-109, C.R.S., during the examination period.

Otherwise, US Fire shall be required, within sixty (60) days from the date this report is adopted, to provide written evidence to the Division that it has revised its procedures to ensure that its agents meet the requirements for return of collateral in accordance with current Colorado insurance law.

Issue G5: Failure, in some instances, to include disclosure of a lien against real property when a deed of trust was taken as collateral.

Section 16-4-104, C.R.S., Bail Bond – alternatives, states in part:

...

- (3)(a)(I) If the bond is to be secured by real estate, the bail bonding agent *shall provide the property owner with a written disclosure statement* in the following form at the time an initial application is filed: [Emphasis added.]

“Disclosure of lien against real property

Do not sign this document until you read and understand it! This bail bond will be secured by real property you own or in which you have an interest. Failure to pay the bail bond premium when due or the defendant’s failure to comply with the conditions of bail could result in the loss of your property!”

- (II) The disclosure required in subparagraph (I) of this paragraph (a) shall be printed in fourteen-point bond-faced type either:

- A. On a separate and specific document attached to or accompanying the application; or
- B. In a clear and conspicuous statement on the face of the application.

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire’s bail bond agents to guarantee bail bonds posted during 2009. The examiners noted that in in fourteen (14) instances, a deed of trust was taken as collateral to secure the bail bond.

Bail Bonding Agent Files – Real Property Received as Collateral¹, Written Disclosure of Lien

Population	Sample Size	Real Property Used as Collateral	Number of Exceptions	Total Error Rate
6,203	685	14	9	64%

US Fire was not in compliance with Colorado insurance law in that in nine (9) of the fourteen (14) files where a deed of trust was taken as collateral, US Fire failed, through its agents, to include a disclosure of a lien against real property.

Recommendation No. 17:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 16-4-104, C.R.S., during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date this report is adopted, to provide written evidence to the Division that it has implemented procedures to ensure that a Disclosure of Lien Against Real Property form is included when a deed of trust is taken as collateral, as required by current Colorado insurance law.

Issue G6: In some instances, issuing more than one receipt for each item of collateral received for a particular bond.

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

...

- (4) *Each bail bonding agent who accepts money or any other consideration for a bond or undertaking shall, for each payment received, give to each indemnitor a prenumbered, signed receipt as evidence of payment.* The prenumbered, signed receipt shall state the date, the name of the defendant, a description of the consideration or money received and the purpose for which it was received, the number of any power-of-attorney form attached to the bond, the penal sum of the bond, the name of the indemnitor, and the terms under which the money or other consideration shall be released. Each bail bonding agent shall retain a duplicate copy of each receipt issued as part of the agent's records and shall account for all of the prenumbered receipts whether they were issued to an indemnitor or destroyed, or otherwise not used by the agent. [Emphasis added.]

Colorado Insurance Regulation 1-2-14 (Effective 12/01/04), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- G. *“Prenumbered receipt” means a preprinted or stamped, sequentially numbered receipt, containing the following information:* date the money or other consideration is received by the bail bonding agent (including any premium paid or collateral received), name of the defendant, a description of the consideration or amount of money received, the purpose for which the consideration or money was received, the number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available), the penal sum of the bond, the name of the indemnitor, and the terms under which the money or other consideration shall be released.

Section 5. Rules

...

B. Prenumbered Receipts

Each bail bonding agent shall use preprinted or stamped, sequentially numbered receipts whenever money or any other consideration for a bond or undertaking is received by the bail bonding agent. The number of each

prenumbered receipt must be entered in the Daily Bond Register in sequential order. Each prenumbered, sequentially numbered receipt shall contain the information listed in the definition above. The original prenumbered receipt must be signed and dated by a bail bonding agent and given to the defendant or third party indemnitor and a duplicate copy retained in the bail bonding agent's permanent office records. Bail bonding agents shall account for all of the prenumbered receipts in the Daily Bond Register, whether they were issued, destroyed or otherwise not used by the bail bonding agent. [Emphasis added.]

Colorado Insurance Regulation 1-2-14 (Effective 11/1/09), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

G. *"Prenumbered receipt" means a preprinted or embossed sequentially numbered receipt.* [Emphasis added.]

Section 5. Rules

...

B. Pre-numbered Receipts

1. Each bail bonding agent shall use prenumbered embossed receipts, including any power of attorney receipt or premium payment receipt, whenever money or any other consideration for a bond or undertaking is received by the bail bonding agent. ...
2. Each prenumbered embossed receipt shall contain the following minimum information:
 - a. The date the money or other consideration is received by the bail bonding agent (including any premium paid or collateral received);
 - b. The name of the defendant;
 - c. A description of the consideration or amount of money received;
 - d. The purpose for which the consideration or money was received;
 - e. The number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available);
 - f. The penal sum of the bond;

- g. The name of the indemnitor; and
 - h. The terms under which the money or other consideration shall be released.
3. The number of each prenumbered receipt shall be entered in the Daily Bond Register in sequential order.
4. The original prenumbered receipt shall be signed and dated by the bail bonding agent and given to the defendant or third party indemnitor.
5. A duplicate copy of the prenumbered receipt shall be retained in the bail bonding agent's permanent office records.
6. Bail bonding agents shall account for all prenumbered receipts in the Daily Bond Register, whether they were issued, destroyed or otherwise not used by the bail bonding agent.
7. If multiple bail bonds are written by the same bail bonding agent for the same defendant, the bail bonding agent must issue a pre-numbered receipt that conforms with this Section 5.B. for each bail bond written. Pre-numbered receipts, whether for premium or collateral, that are issued that do not reflect each bail bond as a separate transaction shall not be in conformance with this Section 5.B.

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire's bail bond agents to guarantee bail bonds posted during 2009. The examiners noted that in forty-nine (49) instances, collateral was accepted to secure the bail bond. One (1) Collateral Receipt was not provided to the examiners.

Collateral Receipts

Population	Sample Size	Number of Files with Collateral Receipts Provided	Number of Files with Exceptions	Total Error Rate
6,203	685	48	18	38%

US Fire was not in compliance with Colorado insurance law in that in eighteen (18) instances noted in the forty-eight (48) files where collateral was taken, US Fire, through its agents, provided two (2) collateral receipts for the same collateral to the defendant or third party indemnitor for a particular bond.

Recommendation No. 18:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-108, C.R.S., and Colorado Insurance Regulation 1-2-14 during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date this report is adopted, to provide written evidence to the Division that it has implemented procedures to ensure that the Company's agents issue only one collateral receipt for each item of collateral received for a particular bond as

required by current Colorado insurance law.

Issue G7: Failure, in some instances, to include all required information on the premium receipts.

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

...

- (4) Each bail bonding agent who accepts money or any other consideration for a bond or undertaking shall, for each payment received, give to each indemnitor a prenumbered, signed receipt as evidence of payment. *The prenumbered, signed receipt shall state the date, the name of the defendant, a description of the consideration or money received and the purpose for which it was received, the number of any power-of-attorney form attached to the bond, the penal sum of the bond, the name of the indemnitor, and the terms under which the money or other consideration shall be released. Each bail bonding agent shall retain a duplicate copy of each receipt issued as part of the agent's records and shall account for all of the prenumbered receipts whether they were issued to an indemnitor or destroyed, or otherwise not used by the agent.* [Emphases added.]

Colorado Insurance Regulation 1-2-14 (Effective 12/1/04), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- G. “*Prenumbered receipt*” means a preprinted or stamped, sequentially numbered receipt, *containing the following information:* date the money or other consideration is received by the bail bonding agent (including any premium paid or collateral received), name of the defendant, *a description of the consideration or amount of money received, the purpose for which the consideration or money was received,* the number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available), the penal sum of the bond, the name of the indemnitor, and the *terms under which the money or other consideration shall be released.*

Section 5. Rules

...

B. Prenumbered Receipts

Each bail bonding agent shall use preprinted or stamped, sequentially numbered receipts whenever money or any other consideration for a bond or undertaking is received by the bail bonding agent. The number of each prenumbered receipt

must be entered in the Daily Bond Register in sequential order. *Each prenumbered, sequentially numbered receipt shall contain the information listed in the definition above. The original prenumbered receipt must be signed and dated by a bail bonding agent and given to the defendant or third party indemnitor and a duplicate copy retained in the bail bonding agent's permanent office records.* Bail bonding agents shall account for all of the prenumbered receipts in the Daily Bond Register, whether they were issued, destroyed or otherwise not used by the bail bonding agent. [Emphases added.]

Colorado Insurance Regulation 1-2-14 (Effective 11/1/09), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- G. "Prenumbered receipt" means a preprinted or embossed sequentially numbered receipt.

Section 5. Rules

...

B. Pre-numbered Receipts

1. Each bail bonding agent shall use prenumbered embossed receipts, including any power of attorney receipt or premium payment receipt, whenever money or any other consideration for a bond or undertaking is received by the bail bonding agent.
2. Each prenumbered embossed receipt shall contain the following minimum information:
 - a. The date the money or other consideration is received by the bail bonding agent (including any premium paid or collateral received);
 - b. The name of the defendant;
 - c. *A description of the consideration or amount of money received;*
 - d. *The purpose for which the consideration or money was received;*
 - e. The number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available);
 - f. The penal sum of the bond;

- The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire's bail bond agents to guarantee bail bonds posted during 2009. Three (3) Premium Receipts were not provided to the examiners. Also, one (1) file did not require premium payment because the bond was rewritten; therefore, no Premium Receipt was required.

US Fire was not in compliance with Colorado insurance law in that in at least one (1) instance in each of the 681 files containing premium receipts reviewed, US Fire failed, through its agents to include one or more of the following required elements:

- the description of consideration or money received;
- the purpose for receipt;
- the name of third party indemnitor;
- the terms for release of premium;
- the signature and date of the bail bond agent;
- the original premium receipt given to the defendant or third part indemnitor; and,
- the conditions under which the premium is refundable.

Recommendation No. 19:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-108, C.R.S., and Colorado Insurance Regulation 1-2-14 during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date this report is adopted, to provide written evidence to the Division that it has implemented procedures to ensure that all required information is included on its premium receipts, as required by current Colorado insurance law.

Issue G8: Failure, in some instances, to include the purpose for fees charged and included on the premium receipts.

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

...

- (4) Each bail bonding agent who accepts money or any other consideration for a bond or undertaking shall, for each payment received, give to each indemnitor a prenumbered, signed receipt as evidence of payment. The prenumbered, signed receipt shall state the date, the name of the defendant, a description of the consideration or money received and the purpose for which it was received, the number of any power-of-attorney form attached to the bond, the penal sum of the bond, the name of the indemnitor, and the terms under which the money or other consideration shall be released. Each bail bonding agent shall retain a duplicate copy of each receipt issued as part of the agent's records and shall account for all of the prenumbered receipts whether they were issued to an indemnitor or destroyed, or otherwise not used by the agent.
- (5) *The bail bonding agent shall keep at the place of his or her business or, if using an agent for service of process required pursuant to subsection (2) of this section, shall make available at the business of the agent for service of process all records pertaining to transactions made under the agent's license* and shall keep all the records as to any particular transaction available and open to inspection by the commissioner or the commissioner's authorized representative during normal business hours for the three years immediately after the date of release of the bond and return of the collateral, if applicable, or proof of notice to the defendant or third-party indemnitor that the terms of any promissory note have been satisfied. Such records include, without limitation:

...

- (b) Copies of any receipts issued to the indemnitor who pays the money for the premium and the collateral agreement, signed by a licensed bail bonding agent;

...

- (7) *Except for bond filing fees charged by a court or law enforcement agency and the actual cost of storing collateral in a secure, self-service public storage facility or premium financing fees, no bail bonding agent licensed under this article shall charge for such bail bonding agent's premium, commission, or fee an amount more than fifteen percent of the amount of bail furnished by such bonding agent or fifty dollars, whichever is more.* [Emphases added.]

Colorado Insurance Regulation 1-1-7, Market Conduct Record Retention, promulgated under the authority of § 10-1-109(1), C.R.S., states in part:

...

Section 4. Records Required For Market Conduct Purposes

- A. *Every entity subject to the Market Conduct process shall maintain its books, records, documents and other business records in a manner so that the following practices of the entity subject to the Market Conduct process may be readily ascertained during market conduct examinations, including but limited to, company operations and management, policyholder services, claim's practices, rating underwriting, marketing, complaint/grievance handling, producer licensing records, and additionally for health insurers/carriers or related entities: network adequacy, utilization review, quality, assessment and improvement, and provider credentialing. Records for this regulation regarding market conduct purposes shall be maintained for the current calendar year plus two prior calendar years. [Emphasis added.]*

Colorado Insurance Regulation 1-2-14 (Effective 12/1/04), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- F. "Permanent office records" means records of all bail bonds the bail bonding agent executes or countersigns, executed copies of the Disclosure Statement, Executed Agreement/Indemnity Agreement and prenumbered receipt for each bond undertaking, the Daily Bond Register and any other records pertaining to transactions made under the bail bonding agent's license.
- G. "*Prenumbered receipt*" means a preprinted or stamped, sequentially numbered receipt, *containing the following information:* date the money or other consideration is received by the bail bonding agent (*including any premium paid or collateral received*), name of the defendant, a description of the consideration or amount of money received, *the purpose for which the consideration or money was received*, the number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available), the penal sum of the bond, the name of the indemnitor, and the terms under which the money or other consideration shall be released.

Section 5. Rules

...

B. Prenumbered Receipts

Each bail bonding agent shall use preprinted or stamped, sequentially numbered receipts whenever money or any other consideration for a bond or

undertaking is received by the bail bonding agent. The number of each prenumbered receipt must be entered in the Daily Bond Register in sequential order. *Each prenumbered, sequentially numbered receipt shall contain the information listed in the definition above.* The original prenumbered receipt must be signed and dated by a bail bonding agent and given to the defendant or third party indemnitor and a duplicate copy retained in the bail bonding agent's permanent office records. Bail bonding agents shall account for all of the prenumbered receipts in the Daily Bond Register, whether they were issued, destroyed or otherwise not used by the bail bonding agent.

E. Permanent Office Records

Pursuant to § 12-7-108(4), C.R.S. (2004) permanent office records must be maintained by each bail bonding agent for every undertaking taken or bond written under the bail bonding agent's license for three years immediately after the release of the bond or if collateral and/or promissory note taken, three years after the return of the collateral to the defendant or third party indemnitor or notice to the defendant or third party indemnitor that the terms of any promissory note have been satisfied... [Emphases added.]

Colorado Insurance Regulation 1-2-14 (Effective 11/1/09), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- F. "Permanent office records" means records of all bail bonds the bail bonding agent executes or countersigns, executed copies of the Disclosure Statement, Executed Agreement/Indemnity Agreement and prenumbered receipt for each bond undertaking, the Daily Bond Register and any other records pertaining to transactions made under the bail bonding agent's license.
- G. "Prenumbered receipt" means a preprinted or embossed sequentially numbered receipt.

Section 5. Rules

...

B. Pre-numbered Receipts

1. Each bail bonding agent shall use prenumbered embossed receipts, including any power of attorney receipt or premium payment receipt, *whenever money or any other consideration for a bond or undertaking is received by the bail bonding agent.* [Emphasis added.]

2. Each prenumbered embossed receipt shall contain the following minimum information:
 - a. The date the money or other consideration is received by the bail bonding agent (*including any premium paid* or collateral received);
 - ...

...

E. Permanent Office Records

1. *Pursuant to § 12-7-108(4), C.R.S. (2004) permanent office records must be maintained by each bail bonding agent for every undertaking taken or bond written under the bail bonding agent's license:*
 - a. Three (3) years immediately after the release of the bond; or
 - b. Three (3) years after the return of the collateral to the defendant or third party indemnitor if collateral was taken; or
 - c. Three (3) years after notice to the defendant or third party indemnitor that the terms of any promissory note have been satisfied. ...
[Emphases added.]

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire's bail bond agents to guarantee bail bonds posted during 2009. The examiners determined that 437 of the sampled files included miscellaneous charges on the premium receipt.

Premium Receipts

Number of Files Reviewed	Number of Exceptions	Total Error Rate
437	105	24%

US Fire was not in compliance with Colorado insurance law in that in 105 of the 437 files reviewed, US Fire, through its agents, failed to include proper documentation of fees charged in addition to the premium on the premium receipt.

Recommendation No. 20:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-108, C.R.S., and Colorado Insurance Regulations 1-1-7 and 1-2-14 during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date this report is adopted, to provide written evidence to the Division that it has implemented procedures to ensure that all files include documentation of charges for fees in addition to premium, as required by current Colorado insurance law.

Issue G9: In some instances, issuing more than one receipt for each premium payment received for a particular bond.

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

...

- (4) *Each bail bonding agent who accepts money or any other consideration for a bond or undertaking shall, for each payment received, give to each indemnitor a prenumbered, signed receipt as evidence of payment.* The prenumbered, signed receipt shall state the date, the name of the defendant, a description of the consideration or money received and the purpose for which it was received, the number of any power-of-attorney form attached to the bond, the penal sum of the bond, the name of the indemnitor, and the terms under which the money or other consideration shall be released. Each bail bonding agent shall retain a duplicate copy of each receipt issued as part of the agent's records and shall account for all of the prenumbered receipts whether they were issued to an indemnitor or destroyed, or otherwise not used by the agent. [Emphasis added.]

Colorado Insurance Regulation 1-2-14, (Effective 12/01/04), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- G. *“Prenumbered receipt” means a preprinted or stamped, sequentially numbered receipt, containing the following information: date the money or other consideration is received by the bail bonding agent (including any premium paid or collateral received), name of the defendant, a description of the consideration or amount of money received, the purpose for which the consideration or money was received, the number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available), the penal sum of the bond, the name of the indemnitor, and the terms under which the money or other consideration shall be released.* [Emphasis added.]

Section 5. Rules

...

B. Prenumbered Receipts

Each bail bonding agent shall use preprinted or stamped, sequentially numbered receipts whenever money or any other consideration for a bond or undertaking is received by the bail bonding agent. The number of each

prenumbered receipt must be entered in the Daily Bond Register in sequential order. Each prenumbered, sequentially numbered receipt shall contain the information listed in the definition above. The original prenumbered receipt must be signed and dated by a bail bonding agent and given to the defendant or third party indemnitor and a duplicate copy retained in the bail bonding agent's permanent office records. Bail bonding agents shall account for all of the prenumbered receipts in the Daily Bond Register, whether they were issued, destroyed or otherwise not used by the bail bonding agent.

Colorado Insurance Regulation 1-2-14 (Effective 11/1/09), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

G. *"Prenumbered receipt" means a preprinted or embossed sequentially numbered receipt.* [Emphases added.]

Section 5. Rules

...

B. Pre-numbered Receipts

1. Each bail bonding agent shall use prenumbered embossed receipts, including any power of attorney receipt or premium payment receipt, whenever money or any other consideration for a bond or undertaking is received by the bail bonding agent. ...
2. Each prenumbered embossed receipt shall contain the following minimum information:
 - a. The date the money or other consideration is received by the bail bonding agent (including any premium paid or collateral received);
 - b. The name of the defendant;
 - c. A description of the consideration or amount of money received;
 - d. The purpose for which the consideration or money was received;
 - e. The number of the bail insurance company power-of-attorney form attached to the bond (if applicable/available);
 - f. The penal sum of the bond;

- g. The name of the indemnitor; and
 - h. The terms under which the money or other consideration shall be released.
 3. The number of each prenumbered receipt shall be entered in the Daily Bond Register in sequential order.
 4. The original prenumbered receipt shall be signed and dated by the bail bonding agent and given to the defendant or third party indemnitor.
 5. A duplicate copy of the prenumbered receipt shall be retained in the bail bonding agent's permanent office records.
 6. Bail bonding agents shall account for all prenumbered receipts in the Daily Bond Register, whether they were issued, destroyed or otherwise not used by the bail bonding agent.
 7. If multiple bail bonds are written by the same bail bonding agent for the same defendant, the bail bonding agent must issue a pre-numbered receipt that conforms with this Section 5.B. for each bail bond written. Pre-numbered receipts, whether for premium or collateral, that are issued that do not reflect each bail bond as a separate transaction shall not be in conformance with this Section 5.B.

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire's bail bond agents to guarantee bail bonds posted during 2009. Three (3) Premium Receipts were not provided to the examiners. Also, one (1) file did not require premium payment therefore no Premium Receipt was required.

Premium Receipts

Population	Sample Size	Number of Files with Premium Receipts Provided	Number of Files with Exceptions	Total Error Rate
6,203	685	681	142	21%

US Fire was not in compliance with Colorado insurance law in that in 142 of the 681 files reviewed, US Fire, through its agents, provided two (2) premium receipts for the same premium payment to the defendant or third party indemnitor for a particular bond.

Recommendation No. 21:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-108, C.R.S., and Colorado Insurance Regulation 1-2-14 during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date that this report is adopted, to provide written evidence to the Division that it has implemented procedures to ensure that its agents issue only one receipt for each premium payment as required by current Colorado insurance law.

Issue G10: Failure, in some instances, to include all required information on the premium payment plans.

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

...

- (8) An arrangement for the payment of all or part of the premium, commission, or fee paid to a bail bonding agent licensed under this article shall be in writing; *signed and dated by the bail bonding agent, the defendant, or the third-party indemnitor, as applicable; retained by the bail bonding agent, and a copy provided to the defendant or third-party indemnitor; and shall set forth the schedule of such payments.* The signature of the bail bonding agent shall not obligate such agent to pay any debt owed to a third-party lender. Interest and financial charges on any unpaid premium shall comply with the “Uniform Consumer Credit Code”, articles 1 to 9 of title 5, C.R.S. An insurer, cash bail bonding agent, and professional cash bail bonding agent shall pay the appropriated premium tax. [Emphasis added.]

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire’s bail bond agents to guarantee bail bonds posted during 2009. The examiners noted seventy-two (72) files where a premium payment plan was entered into. For the seventy-two (72) files reviewed that included a premium payment plan, fifty-eight (58) premium payment plans were not provided to the examiners.

Bail Bonding Agent Files – Premium Payment Plans – Signature and Date of the Bail Bonding Agent

Population	Sample Size	Number of Files with Record of Premium Payment Plans	Number of Files with Exceptions	Total Error Rate
6,203	685	14	11	79%

US Fire was not in compliance with Colorado insurance law in that in eleven (11) of the fourteen (14) files reviewed that contained a premium payment plan, US Fire, through its agents, failed to include one or more of the following required elements for the plan:

- The signature of the bail bonding agent;
- The signature of the defendant or third party indemnitor; and
- The schedule of payments.

Recommendation No. 22:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-108, C.R.S., during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date that this report is adopted, to provide written evidence to the Division that it has implemented procedures to ensure that its premium payment plans contain all elements required by current Colorado insurance law.

Issue G11: Failure, in some instances, to submit premium collected by bail bonding agents to US Fire in a timely manner.

Section 10-2-704, C.R.S., Fiduciary responsibilities, states in part:

...

- (1)(b) *All premiums received, less commissions if authorized, shall be remitted to the insurer or its agent entitled thereto on or before the contractual due date or, if there is no contractual due date, within forty-five days after receipt.*
[Emphasis added.]

Colorado Insurance Regulation 1-2-1, Concerning Producer Fiduciary Responsibilities, promulgated under the authority of §§ 10-1-109, 10-2-104, 10-2-704, 10-3-1110, C.R.S., states in part:

...

Section 4 Rule

...

- B. Upon receipt, the insurance producer or agency shall treat all premiums and returned premiums in a fiduciary capacity, including but not limited to the following:

...

2. The insurance producer or agency must keep an accurate record of all fiduciary funds.

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire's bail bond agents to guarantee bail bonds posted during the examination period.

US Fire, by contract, requires its direct contracted bail bonding agents to submit premiums to US Fire within fifteen (15) days of execution of the bond.

Premium Submission – Bail Bonding Agents

Population	Sample Size	Number of Files with Documentation of Premium Submission by Agent to the Surety Company	Number of Files with Exceptions	Total Error Rate
6,203	685	685	339	49%

US Fire was not in compliance with Colorado insurance law in that in 339 instances, US Fire, through its agents, failed to remit bond premium within fifteen (15) days of execution of the bond as required by its contract.

Recommendation No. 23:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 10-2-704, C.R.S., and Colorado Insurance Regulation 1-2-1 during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date this report is adopted, to provide written evidence to the Division that it has implemented procedures to ensure its bail bonding agent remit bond premium in conformity with his/her contract with US Fire, as required by current Colorado insurance law.

Issue G12: Failure, in some instances, to include all required information on the disclosure statement.

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

...

- (9) Every bail bonding agent shall provide, in a form prescribed by the commissioner, a disclosure statement to each defendant or third-party indemnitor.

Colorado Insurance Regulation 1-2-14 (Effective 12/1/04), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- D. “Disclosure statement” means the form describing how collateral may be returned, how collateral may be used or forfeited and the physical address to which a copy of the court order releasing the bond shall be delivered. The Disclosure Statement must be in the form attached in Appendix C.

Section 5. Rules

...

D. DISCLOSURE STATEMENT

The original Disclosure Statement, in the format contained in Appendix C, must be provided to the defendant or third party indemnitor for each bond posted with a duplicate maintained in the agent’s permanent office records. The Disclosure Statement must be signed and dated by the bail bonding agent and the defendant or third party indemnitor.

Colorado Insurance Regulation 1-2-14 (Effective 11/1/09), Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register, promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 4. Definitions

...

- D. "Disclosure statement" means the form describing how collateral may be returned, how collateral may be used or forfeited and the physical address to which a copy of the court order releasing the bond shall be delivered. The Disclosure Statement shall be in the form contained in Appendix C of this Regulation.

Section 5. Rules

...

D. Disclosure Statement

1. The original Disclosure Statement shall not be altered, and must be issued, in the format contained in Appendix C.
2. The original Disclosure Statement shall be signed and dated by the bail bonding agent and the defendant or third party indemnitor.
3. The original Disclosure Statement shall be provided to the defendant or third party indemnitor for each bond posted, with a duplicate copy maintained in the bail bond agent's permanent office records.
4. If multiple bail bonds are written by the same bail bonding agent for the same defendant, the bail bonding agent must issue a pre-numbered receipt that conforms with this Section 5.B. for each bail bond written. Pre-numbered receipts, whether for premium or collateral, that are issued that do not reflect each bail bond as a separate transaction shall not be in conformance with this Section 5.D.

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire's bail bond agents to guarantee bail bonds posted during 2009. The examiners were not provided with 248 Disclosure Statements.

Disclosure Statements

Population	Sample Size	Number of Files with Collateral Receipts	Number of Files with Exceptions	Total Error Rate
6,203	685	437	345	79%

US Fire was not in compliance with Colorado insurance law in that in 345 of the 437 files reviewed, US Fire failed, through its agents to include one or more of the following required elements for disclosure statements:

- the disclosure statement in the required format and with the required language as stated in Appendix C;
- the preprinted or stamped name, address, and phone number of the bail bond agent;
- the name and address of the surety company;
- the correct surety company name;
- the phone number of the surety company;

-
- the power of attorney number;
 - the amount of premium charged;
 - the name of the third party indemnitor;
 - the amount of collateral;
 - the description of collateral;
 - the name of the court in which the bond was executed;
 - the original disclosure statement given to the defendant or third part indemnitor; and
 - the copy of disclosure statement retained by the bail bonding agent.
-

Recommendation No. 24:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-108, C.R.S., and Colorado Insurance Regulation 1-2-14 during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date this report is adopted, to provide written evidence to the Division that it has implemented procedures to ensure that all required information is included on its disclosure statements as required by current Colorado insurance law.

Issue G13: Failure, in some instances, to include the signature of the bail bonding agent on promissory notes.

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states:

- (1) *All indemnity agreements, promissory notes, premium and collateral receipts, and bond revocation agreements shall be in writing and signed by the bail bonding agent and the defendant or third-party indemnitor. If the defendant or third-party indemnitor is illiterate or does not read the English language such bail bonding agent shall note on the indemnity agreement that he or she or a third party has read or translated the agreement to the defendant or third-party indemnitor, and shall affix an affidavit attesting that the document was translated to the indemnity agreement. Premium receipts shall be signed, be dated, and list the amount of the bail bond, and original given to the defendant or the third-party indemnitor. [Emphasis added.]*

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire's bail bond agents to guarantee bail bonds posted during 2009. The examiners found that 518 of the sampled files contained promissory notes.

Bail Bond Producer Files – Promissory Notes – Signature of the Bail Bonding Agent

Population	Sample Size	Number of Files with Promissory Notes Provided	Number of Files with Exceptions	Total Error Rate
6,203	685	518	76	15%

US Fire was not in compliance with Colorado insurance law in that in seventy-six (76) of the 518 files containing promissory notes reviewed, US Fire, through its agents, failed to include the signature of the bail bonding agent on the promissory notes executed by the bail bonding agents.

Recommendation No. 25:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-108, C.R.S., during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date that this report is adopted, to provide written evidence to the Division that it has implemented procedures to ensure that its agents issue promissory notes that comply with the requirements of current Colorado insurance law.

Issue G14: Failure, in some instances, to notify the defendant or third-party indemnitor that the promissory notes received had been satisfied.

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

...

- (5) The bail bonding agent shall keep at the place of his or her business, or if using an agent for service of process required pursuant to subsection (2) of this section, shall make available at the business of the agent for service of process all records pertaining to transactions made under the agent's license and shall keep all the records as to any particular transaction available and open to inspection by the commissioner or the commissioner's authorized representative during normal business hours for the three years immediately after the date of release of the bond and return of the collateral, if applicable, or *proof of notice to the defendant or third-party indemnitor that the terms of any promissory note have been satisfied*. Such records include, without limitation: [Emphasis added.]

...

- (c) An executed agreement, signed by the indemnitor and a licensed bail agent, setting forth the amount of bail set in the case, the name of the defendant released on the bond, the court case number, if available, and the court in which the bond is executed, the premium charged, the amount and type of collateral held by the bail bonding agent, and the conditions under which the collateral will be returned.

Colorado Insurance Regulation 1-2-14, Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register (effective 12/1/04), promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 5 Rules

...

E. Permanent Office Records

Pursuant to § 12-7-108(4), C.R.S. (2004), permanent office records must be maintained by each bail bonding agent for *every undertaking taken or bond written* under the bail bonding agent's license for three years immediately after the release of the bond or if collateral and/or promissory note taken, three years after the return of the collateral to the defendant or third party indemnitor or notice to the defendant or third party indemnitor that the terms of any promissory note have been satisfied. Proof of notice shall consist of, at a minimum, *a signed release by the defendant or third party indemnitor that they have received the promissory note marked paid by the bail bonding agent*. Such notice shall be part of the agent's permanent office records.

Bail bonding agents' permanent office records shall be open and available for inspection by the Commissioner or the Commissioner's designee upon reasonable notice during normal business hours. [Emphases added.]

Colorado Insurance Regulation 1-2-14, Concerning Bail Bonding Agent Record Keeping, Reporting Requirements and Daily Bond Register (effective 11/1/09), promulgated under the authority of §§ 10-1-109, 12-7-102(3), 12-7-105, and 12-7-108, C.R.S., states in part:

...

Section 5. Rules

...

E. Permanent Office Records

1. Pursuant to § 12-7-108(4), C.R.S., permanent office records must be maintained by each bail bonding agent for *every undertaking or bond written* under the bail bonding agent's license for:
 - a. Three (3) years immediately after the release of the bond; or
 - b. Three (3) years after the return of the collateral to the defendant or third party indemnitor if collateral was taken; or
 - c. Three (3) years after notice to the defendant or third party indemnitor that the terms of any promissory note have been satisfied if promissory note(s) were taken. Proof of notice shall consist of, at a minimum, *a signed release by the defendant or third party indemnitor that they received the promissory note marked satisfied by the bail bonding agent and shall be maintained as part of the bail bonding agent's permanent office records.* [Emphases added.]

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire's bail bond agents to guarantee bail bonds posted during 2009. The examiners found that 518 of the sampled files contained promissory notes.

Bail Bond Producer Files – Promissory Notes – Notification of Promissory Note Satisfaction

Population	Sample Size	Number of Files with Promissory Notes	Number of Files with Exceptions	Total Error Rate
6,203	685	518	281	54%

US Fire was not in compliance with Colorado insurance law in that in 281 of the 518 files containing promissory notes, US Fire, through its agents, failed to notify the defendant or third-party indemnitor that the promissory note received had been satisfied.

Recommendation No. 26:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report,

to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-108, C.R.S., and Colorado Insurance Regulation 1-2-14 during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date that this report is adopted, to provide written evidence to the Division that it has implemented procedures to ensure that its agents meet the requirements of current Colorado insurance law with regard to providing notice of the satisfaction of promissory notes.

Issue G15: Failure, in some instances, to require the bail bond agent to sign the bond revocation forms.

Section 12-7-108, C.R.S., Bonding agreement – place of business – records – payment schedule – disclosure statements, states in part:

- (1) *All indemnity agreements, promissory notes, premium and collateral receipts, and bond revocation agreements shall be in writing and signed by the bail bonding agent and the defendant or third-party indemnitor.* [Emphasis added.]

The examiners selected a random sample of 685 files from a total population of 6,203 powers of attorney executed by US Fire’s bail bond agents to guarantee bail bonds posted during the examination period. The examiners found that eight-six (86) of the sampled files contained bond revocation agreements.

Bond Revocation Agreements

Population	Sample Size	Number of Files with Bond Revocation Agreements Provided	Number of Files with Exceptions	Total Error Rate
6,203	685	86	86	100%

US Fire was not in compliance with Colorado insurance law in that in all eighty-six (86) files containing bond revocation agreements, US Fire, through its agents, failed to have the bond revocation agreement signed by the bail bonding agent.

Recommendation No. 27:

US Fire shall be provided a reasonable period, not exceeding thirty (30) days from the date of this report, to make written submission or rebuttal as to why it should not be considered to have been in violation of § 12-7-108, C.R.S., during the examination period.

Otherwise, US Fire shall be required, within thirty (30) days from the date that this report is adopted, to provide written evidence to the Division that it has implemented procedures to ensure that its agents use bond revocation agreements that are in compliance with current Colorado insurance law.

SUMMARY OF ISSUES AND RECOMMENDATIONS	Rec. No.	Page No.
COMPANY OPERATIONS AND MANAGEMENT		
Issue A1: Failure, in some instances, to maintain records required for market conduct purposes.	1	20
PRODUCERS AGENTS		
Issue D1: Failure, in some instances, to register with the Commissioner the use of any assumed, trade or fictitious name prior to using the name.	2	23
Issue D2: Failure, in some instances, for the bail bonding agent to maintain possession of files.	3	26
Issue D3: Failure, in some instances, to record the bond or to accurately record the date the bond was written in the daily bond register.	4	29
Issue D4: Failure, in some instances, to record the collateral receipt number in the daily bond register.	5	32
Issue D5: Failure, in some instances, to record the premium receipt number in the daily bond register.	6	35
Issue D6: Failure of the Company's agents, in some instances, to fulfill fiduciary responsibilities by commingling funds.	7	37
CONTRACT FORMS		
Issue E1: Failure of the Company's collateral receipts to include all required information.	8	42
Issue E2: Failure of the Company's premium receipts to include all required information.	9	45
Issue E3: Failure of the Company's bail bond applications and contracts to include all required information.	10	61
RATES		
Issue F1: Failure to establish underwriting criteria to support the premium charged and to apply such criteria uniformly across all underwritten risk.	11	53
Issue F2: Failure to file a rate that complies with Colorado insurance law.	12	56
NEW BUSINESS		
Issue G1: Failure, in some instances, to include all required information on the executed indemnity agreements.	13	61
Issue G2: Failure, in some instances, to include all required information on the collateral receipts.	14	65
Issue G3: Failure, in some instances, to report collateral to surety within twenty (20) days of taking collateral.	15	66
Issue G4: Failure, in some instances, to return collateral within ten (10) working days of receipt of notice of discharge of the bond.	16	68
Issue G5: Failure, in some instances, to include disclosure of a lien against real property when a deed of trust was taken as collateral.	17	69
Issue G6: In some instances, issuing more than one receipt for each item of collateral received for a particular bond. Issue G6: In some instances, issuing more than one receipt for each item of collateral received for a particular bond.	18	72
Issue G7: Failure, in some instances, to include all required information on the premium receipts.	19	77
Issue G8: Failure, in some instances, to include the purpose for fees charged and included on the premium receipts.	20	81
Issue G9: In some instances, issuing more than one receipt for each	21	84

SUMMARY OF ISSUES AND RECOMMENDATIONS	Rec. No.	Page No.
premium payment received for a particular bond.		
Issue G10: Failure, in some instances, to include all required information on the premium payment plans.	22	85
Issue G11: Failure, in some instances, to submit premium collected by bail bonding agents to US Fire in a timely manner.	23	88
Issue G12: Failure, in some instances, to include all required information on the disclosure statement.	24	91
Issue G13: Failure, in some instances, to include the signature of the bail bonding agent on promissory notes.	25	92
Issue G14: Failure, in some instances, to notify the defendant or third-party indemnitor that the promissory notes received had been satisfied.	26	94
Issue G15: Failure, in some instances, to require the bail bond agent to sign the bond revocation forms.	27	96

Examination Report Submission

State Market Conduct Examiner

**Jeffory A. Olson, CIE, MCM, FLMI, AIRC, ALHC
Examiner-in-Charge**

And

Independent Contract Examiners With

Regulatory Consultants, Inc.

**Jimmy Potts, FLMI, CLU, AIRC, CIE, MCM
Lead On-Site Examiner**

Charlotte Howell, CIE

Robert Potts

Submit this report on this 6th Day of August, 2012 to

**The Colorado Division of Insurance
1560 Broadway, Suite 850
Denver, Colorado 80202**